

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts
Department of Transportation)
Financial Statements and
Supplementary Information
June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Advisory Board of the
PIONEER VALLEY TRANSIT AUTHORITY
2808 Main Street
Springfield, MA 01107

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Pioneer Valley Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Pioneer Valley Transit Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Pioneer Valley Transit Authority as of June 30, 2019 and 2018, and the respective changes in financial position, cash flows thereof, and the respective budgetary comparison information for the enterprise fund, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on page 4, the Schedule of Changes in Net Pension Liabilities and Related Ratios, Schedule of Pension Contributions, Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liabilities and Related Ratios, and Schedule of OPEB Contributions, on pages 38 to 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pioneer Valley Transit Authority's basic financial statements. The supplementary information on page 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2019, on our consideration of the Pioneer Valley Transit Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pioneer Valley Transit Authority's internal control over financial reporting and compliance.

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September 10, 2019

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

Management's Discussion and Analysis

For the Year Ended June 30, 2019

As the Administrator of the Pioneer Valley Transit Authority (the Authority), I offer readers of the Authority's financial statements this overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2019.

New GASB Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, for implementation in fiscal year 2019. This Statement requires that all essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; terms specified in debt agreements related to significant events of default and significant subjective acceleration clauses. The Authority's debt consists of a revenue anticipation note and access to a revolving line of credit disclosed in Note 8, which includes all disclosures required by this Statement.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at June 30, 2019 by \$77,237,786.
- The total operating revenue increased \$515,147 or 7.3% from fiscal year 2018.
- The total operating expenses increased \$6,706,060 or 14.2% from fiscal year 2018. A large portion of this increase is related to the change in the Authority's net pension liabilities of \$603,657 and other postemployment benefits liabilities of 4,382,844, which are non-reimbursable costs at this time.
- The Authority's net cost of service, after applying operating assistance and revenues, for eligible reimbursable expenses for fiscal year 2019 was \$34,181,824. The net cost of service was funded with local assessments of \$8,947,886 and state contract assistance of \$25,233,938. The calculation of the net cost of service can be found on page 46 of this report.
- The Authority expended \$18,024,710 on capital assets, which were fully funded with federal and state capital grants.

The Authority's operations are funded annually through a state required computation of the net cost of service. Except for the establishment of a restricted reserve, as allowed under Massachusetts General Laws, the Authority's funding cannot exceed its net cost of service.

PIONEER VALLEY TRANSIT AUTHORITY
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Management's Discussion and Analysis

For the Year Ended June 30, 2019

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, Statement of Cash Flows and Notes to the Financial Statements. The Authority is a special purpose government engaged only in business-type activities. As such, its financial statements consist of only those required for enterprise funds and notes to the financial statements.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 9 through 37 of this report. In addition to the basic financial statements and accompanying notes, this report also presents the schedule of changes in net pension liabilities and related ratios, schedule of pension contributions, the schedule of changes in net other postemployment benefits liabilities and related ratios, and the schedule of other postemployment benefit contributions, which are required supplemental information. The required supplementary information can be found on pages 38 to 45 of this report.

Government Financial Analysis

The Authority's net position consists almost exclusively of its net investment in capital assets (e.g. land, construction in progress, buildings, revenue vehicles and equipment); less any related debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide fixed route and paratransit services to individuals within its service area; consequently, these net assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if any, must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Authority currently has no capital lease obligations or capital debt.

Summary of Net Position

	6/30/2019	6/30/2018
Total current assets	\$ 26,524,768	\$ 35,370,162
Investment in Holyoke Intermodal Facility, LLC	3,981,884	4,027,668
Property and equipment, net	118,846,735	120,793,716
Deferred outflows of resources related to pensions	2,686,681	2,821,849
Deferred outflows related to other post employment benefits	---	646,253
Total assets and deferred outflows of resources	<u>152,040,068</u>	<u>163,659,648</u>
Accounts payable and other accrued liabilities	10,990,442	19,881,620
Note payable	13,100,000	13,100,000
Net pension liabilities	4,713,360	4,256,176
Accrued other post employment benefits	40,598,463	41,577,409
Deferred inflows of resources related to pensions	684,480	673,175
Deferred inflows related to other post employment benefits	4,715,537	---
Total liabilities	<u>74,802,282</u>	<u>79,488,380</u>
Investment in capital assets, net of related debt	122,828,619	124,821,384
Restricted reserve	1,580,175	1,580,175
Unrestricted	<u>(47,171,008)</u>	<u>(42,230,291)</u>
Total net position	<u>\$ 77,237,786</u>	<u>\$ 84,171,268</u>

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Management's Discussion and Analysis

For the Year Ended June 30, 2019

The Authority's assets exceeded its liabilities by \$77,237,786 at the close of fiscal year 2019. An additional portion of the Authority's net position, shown as "restricted reserve", represents resources that are subject to approval of the Secretary of Transportation. As of June 30, 2019, the Authority's reserve for extraordinary expenses was \$1,580,175. Unrestricted net position represents funds that may be used to fund current operations. During fiscal year 2019, the Authority's unrestricted net position decreased a net amount of \$4,940,717 from fiscal year 2018 for a total negative unrestricted balance of \$(47,171,008) at June 30, 2019. The details of this change can be found in Note 9 on page 16 of the financial statements.

**Summary of Statement of Revenues, Expenses
and Changes in Fund Net Position**

	6/30/2019	6/30/2018	Increase (Decrease)
Total operating revenues	\$ 7,526,668	\$ 7,011,521	\$ 515,147
Total operating expenses	54,083,176	47,377,116	6,706,060
Operating income (loss)	(46,556,508)	(40,365,595)	(6,190,913)
Total non-operating revenues (expenses)	41,570,007	39,609,215	1,960,792
Income (loss) before capital contributions and other items	(4,986,501)	(756,380)	(4,230,121)
Capital contributions	18,024,710	46,770,235	(28,745,525)
Nonreimbursable depreciation	(19,971,691)	(15,785,308)	(4,186,383)
Change in net position	(6,933,482)	30,228,547	(37,162,029)
Net assets, beginning	84,171,268	53,942,721	30,228,547
Net position, ending	<u>\$ 77,237,786</u>	<u>\$ 84,171,268</u>	<u>\$ (6,933,482)</u>

Operating revenues increased \$515,147 or 7.3% from the prior year, primarily due to an increase in farebox revenue of \$444,481, increase in paratransit revenue of \$77,408, and a decrease in shuttle service revenue of \$(6,742).

Operating expenses increased \$6,706,060 or 14.2% from the prior year primarily due to the following:

- Fixed route service increased by \$5,550,243 resulting from the following: the Authority's adjustment to increase its net pension and other post employment benefit liabilities of \$3,771,379. This adjustment is required by the Governmental Accounting Standards Board and is based on actuarial valuations performed by Odyssey Advisors. This expense is a non-reimbursable cost at this time. The remaining increase of \$1,778,864 is mainly due to contractual labor requirements, preventative maintenance on the buses, insurance claims payments, and fuel prices and consumption.
- Paratransit service increased by \$317,193 primarily due to contractual vendor payments, fuel prices, and utilization of COA pilot programs.

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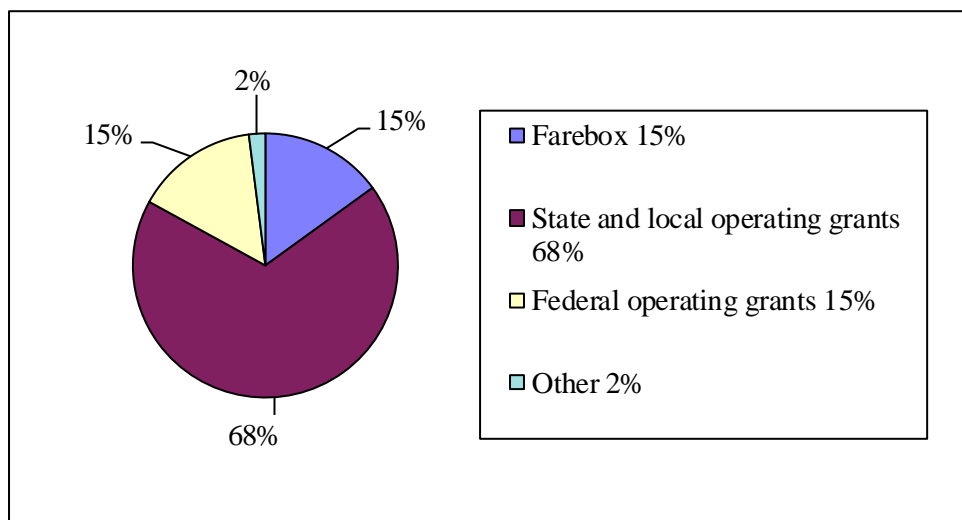
Management's Discussion and Analysis

For the Year Ended June 30, 2019

- Shuttle serve decreased by \$(54,582) primarily due to the reduction in the Community Shuttle services in the communities of Palmer and Ware.
- Administrative salaries, taxes and fringe benefits increased by \$745,797 resulting from the following: the Authority's adjustment to increase its net pension and other post employment benefit liabilities of \$458,742. This adjustment is required by the Governmental Accounting Standards Board and is based on actuarial valuations performed by Odyssey Advisors. This expense is a non-reimbursable cost at this time. The remaining increase of \$287,055 is mainly due to an increase in pension contributions of \$248,192 over the prior year.
- Other administrative expenses increased by \$147,409 primarily due to an increase in rent at the Springfield Union Station which went into full effect in fiscal year 2019 based on the lease agreement.

Non-operating revenues (expenses) increased \$1,960,792 or 5.0% from the prior year primarily due to an increase in local assessments of \$218,241 as allowed under Massachusetts General Laws, a decrease in federal assistance of \$(362,566), a decrease in advertising income of \$(11,496), increase in interest income of \$55,560, increase in miscellaneous income of \$58,214, and in increase in interest expense of \$(135,769), all offset by an increase in State Operating assistance of \$2,138,608.

Total Operating and Non-operating
Revenues of \$49,373,444 by Source

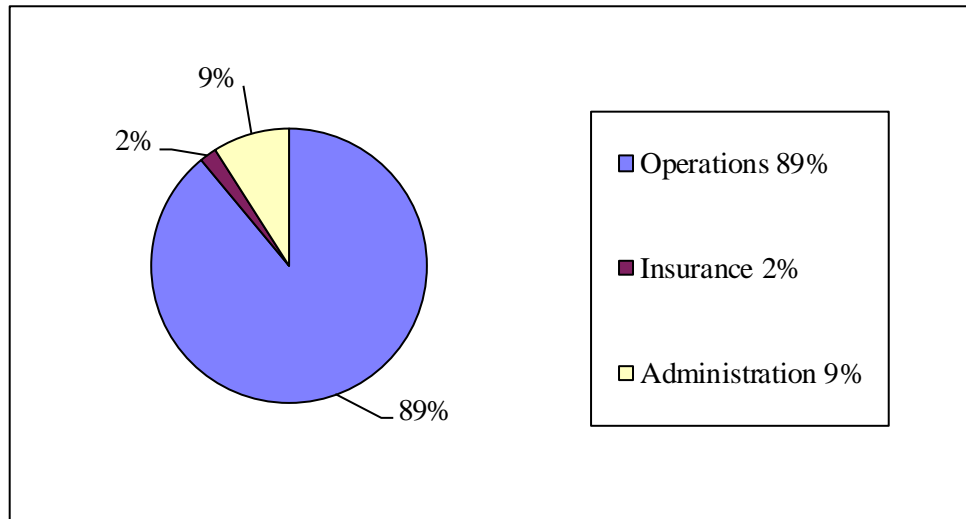


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Management's Discussion and Analysis

For the Year Ended June 30, 2019

Total Operating and Non-operating
Expenses of \$54,359,945 by source



Budget vs. Actual - an analysis of significant budget variances (budget versus actual results), including reasons for the variances is as follows:

Revenues

Fare revenues

	FY2019 Actual	FY2019 Budget	Variance + (-)
Fixed route income	\$ 6,713,061	\$ 6,675,565	\$ 37,496
Paratransit income	794,068	711,672	82,396
Shuttle service income	19,539	26,028	(6,489)
Total operating income	<u>\$ 7,526,668</u>	<u>\$ 7,413,265</u>	<u>\$ 113,403</u>

Fixed route and paratransit revenue increased due to the implementation of fare increases that went into effect on July 1, 2018. Shuttle service income decreased due to the impact of the service reductions in Palmer and Ware.

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Management's Discussion and Analysis

For the Year Ended June 30, 2019

Government and other assistance

	FY2019 Actual	FY2019 Budget	Variance + (-)
Federal assistance	\$ 6,283,734	\$ 7,165,697	\$ (881,963)
State contract assistance	25,233,938	25,233,938	---
Local assistance	8,947,886	8,947,886	---

The final budgeted Federal Assistance came in under the budgeted amount by \$(881,963). An increase in State contract assistance, and some smaller state grants as well as administrative savings on many line items allowed for less than budgeted use of federal assistance.

Other revenues

	FY2019 Actual	FY2019 Budget	Variance + (-)
Advertising income	\$ 256,570	\$ 300,000	\$ (43,430)
Other income	156,493	109,992	46,501
Interest income	164,759	69,996	94,763

Advertising income came in under budget by \$(43,430) primarily due to not being able to implement the planned van advertising program. Other income can in over budget primarily due to gains on sale of paratransit vehicles.

Expenses

	FY2019 Actual	FY2019 Budget	Variance + (-)
Fixed route service expense	\$ 39,746,026	\$ 35,543,634	\$ (4,202,392)
Paratransit service expense	8,963,922	9,852,264	888,342
Shuttle service expense	188,913	248,312	59,399
Administrative salaries, taxes and fringe benefits	3,430,792	2,436,328	(994,464)
Other administrative expenses	1,753,523	1,910,328	156,805

Fixed route costs exceeded budget by \$(4,202,392) primarily because of the Authority's adjustment to its net pension and other postemployment benefit (OPEB) liabilities. These liabilities are determined through actuarial valuations performed by Odyssey Advisors. The OPEB liability (net of deferred outflows and inflows of resources) increased by \$3,803,317 and the net pension liability (net of deferred outflows and inflows of resources) increased by \$285,387. This expense of \$4,088,704 included in fixed route costs is non-reimbursable at this time and is therefore not budgeted for. The remaining variance of \$(113,688) over budget is related to contractual labor requirements, preventative maintenance on the buses, insurance claims payments, and fuel prices and consumption.

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For the Year Ended June 30, 2019

Paratransit Savings of \$888,342 in this category were due to the Agreement with National Express (NEXT) whereby services are compensated based on the number of trips performed and a fixed fee instead of the total revenue hours used under the previous contract. Ridership decreased by 10% partly due to the fare increases, the service reductions and the premium charge for service outside of the ¾ mile ADA mandated corridor.

Administrative salaries, taxes and fringe benefits came in over budget by \$(994,464) primarily due to the increase in the accrual required by the Governmental Accounting Standards of \$897,797 to the net pension liability and other postemployment benefits liability. These are unfunded accruals and have no impact on current year funding. The remaining variance of \$96,667 is primarily due to pension contributions being higher than budgeted.

Capital and Debt Administration

Capital Assets

The Authority's investment in capital assets as of June 30, 2019 amounted to \$118,846,736, net of accumulated depreciation. The investment in capital assets includes land, buildings, vehicles, and equipment. The Authority primarily acquires its capital assets under federal and state capital grants. The total purchase of capital assets for the current year was \$18,024,710.

	Capital Assets	
	<u>6/30/2019</u>	<u>6/30/2018</u>
Land	\$ 1,965,505	\$ 1,965,505
Construction in progress - Cottage Street facility	---	55,135,411
Buildings and improvements	106,946,012	38,835,093
Revenue vehicles	105,283,629	105,046,364
Equipment	58,129,937	55,986,957
Service vehicles	<u>1,806,760</u>	<u>1,786,382</u>
Total capital assets	274,131,843	258,755,712
Accumulated depreciation	<u>(155,285,108)</u>	<u>(137,961,996)</u>
Capital assets, net	<u>\$ 118,846,735</u>	<u>\$ 120,793,716</u>

Revenue Anticipation Notes

At the end of fiscal year 2019, the Authority had a revenue anticipation note of \$13,100,000. This note provides operating cash flow until federal, state, and local appropriations are received.

Revolving Line of Credit

The Authority has a \$3,000,000 revolving line of credit, due on demand. The line of credit is secured by the Authority's assets. Interest is at the Prime Rate as published in the Wall Street Journal. The interest rate was 5.50% at June 30, 2019. The balance outstanding as of June 30, 2019 was \$-0-.

PIONEER VALLEY TRANSIT AUTHORITY
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Management's Discussion and Analysis

For the Year Ended June 30, 2019

Status of Intermodal & Maintenance Centers

Westfield Transit Pavilion, 10 Arnold Street, Westfield

The Authority was notified by the United States Green Building Council (USGBC) that it has been awarded LEED Silver Certification for the new facility – opened in early 2017, having been designed, constructed and now operated adhering to progressive energy and environmental criteria. LEED stands for Leadership in Energy and Environmental Design.

The 5-year process for achieving this certification started in the planning phase of the project, through site selection, design and operations of the new facility. It is the first PVRTA facility to achieve this distinction. A LEED Silver Plaque has been installed at the Pavilion.

Some of the criteria that the Authority used to achieve LEED Silver Status included providing:

- redevelopment of an environmentally contaminated site,
- redevelopment of a site in a densely developed area connected to public transit,
- re-use of demolition materials onsite,
- use of regionally made materials in construction,
- storm water quality control,
- use of low VOC emitting adhesives, sealants, paints and coatings,
- onsite bike storage and repair facilities,
- water efficient landscaping,
- optimized energy efficient building systems,
- onsite storage and collection of recyclables,
- use of green cleaning products

Forish Construction of Westfield, MA, the successful bidder on the new transit pavilion project, began construction of the new \$3.6 million dollar facility in May 2016 and completed it in April 2017. The project was constructed in coordination with the City's upgrade of its Historic Gas Light District, which includes new sidewalks, streets and gas lantern style streetlights. The new automated facility includes a passenger waiting area, restrooms, automated ticketing, and electronic kiosks for bus scheduling/trip planning and real-time bus information/signage. The facility is served by an automated bike storage and repair center and has opportunity space available for a future café. It is served by 4 fixed-route bus bays, a paratransit drop-off/pick-up area, and off-street parking. The facility was dedicated and named the “Olver Transit Pavilion Center” in April 2017.

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Management's Discussion and Analysis

For the Year Ended June 30, 2019

New PVTA Bus Operations and Maintenance Facility, 665 Cottage Street, Springfield, MA

MassDOT appropriated \$55.7 million in construction funding for the facility over three fiscal years (fiscal year 2017 to fiscal year 2019). The project was competitively bid in February 2017 and awarded to the lowest responsive and responsible bidder - Fontaine Brothers, Inc. Construction began in early April 2017. The project reached substantial completion in December 2018. Temporary Certificate of Occupancy (TCO) for completed construction was issued by the City in December 2018. The Project became fully operational in April 2019 and a ribbon-cutting to celebrate the opening was held June 3, 2019. A Certificate of Occupancy (CO) from the City was issued on June 26, 2019. Punch list items anticipated were completed by Fontaine Brothers, Inc. by August 31, 2019 to close out the project.

This new Operations and Maintenance Facility at 665 Cottage Street in Springfield, Massachusetts was constructed on an 18.3-acre industrial site purchased by the Authority and located in the heart of the Springfield Metropolitan Area of Western Massachusetts. The facility provides light and heavy-duty maintenance to the Authority's entire fleet of up to 175+/- fixed-route buses. The Operations and Maintenance Facility replaced the Authority's light- and heavy-duty maintenance capabilities provided at its existing 100+-year old maintenance facility located at 2840 Main Street, Springfield, MA.

A site location study was conducted, land acquired, a business relocated, existing buildings demolished, the site prepared, and environmental clearances (NEPA/MEPA) obtained. Following the design phase in 2016, the planned 285,000 square foot facility was downsized to a 224,000-square foot facility due to funding availability at the state level being reduced from \$71 million to \$55.7 million. As a result, the Authority reduced the footprint and cost of the building, completed 100% design by the end of 2016, and changed its project delivery method from CM at Risk to traditional design-bid-build where the lowest responsive and responsible pre-qualified bidder was awarded the project. That successful bidder was Fontaine Brothers, Inc. of Springfield, MA and was awarded the project in April 2017.

Construction was fully funded by the Massachusetts Department of Transportation. Soft costs of the construction (approximately \$9 million) was funded by federal allocated funds over a 3-year period. The project was on budget and ahead of schedule with substantial completion by the end of November 2018 and final completion by the end of December 2018. A staggered move of operations begin in January of 2019 and was completed by April of 2019.

Economic Factors and Next Year's Budget

Funding for the Authority's net cost of service (non-capital expenses less all non-capital revenues except state contract assistance and member municipality assessments) is dependent primarily on operating assistance from the Commonwealth of Massachusetts (50%), assessments to member municipalities (18%), and federal operating assistance (15%). The balance of the funding comes from farebox revenue, insurance recoveries, interest and advertising revenue. The municipal assessments continue to be funded in arrears (currently 2 years back). This contributes in large part to the Authority's borrowing needs. The Authority increased its fixed route and paratransit fares in fiscal year 2019 in an effort to increase the share of farebox revenue. This may help offset governmental subsidies and may help eliminate further service reductions.

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Many economic factors will or may affect the Authority's 2020 operations, such as increases in payroll and fringe related to union contracts, and other costs of running the Authority. Fuel prices, rising due to natural disasters and other international and political factors, will have increasing demands on an already challenging budget year. These increased costs were expected to be offset by an increase in State Contract Assistance. The final state budget passed in July of this year decreased the Authority's State Contract Assistance by \$242,723 compared to last fiscal year total State Contract Assistance of \$25,233,938 which included \$1,679,000 awarded to the Authority as stabilization funds. The Authority balanced its budget with the Congestion Mitigation Air Quality (CMAQ) grant awarded for the operation of the P21E route and by flexing additional capital funds into operations.

Fiscal year 2020 will see the first full year of operations at the Springfield Maintenance and Operations facility on Cottage Street which adds some fiscal challenges to the operating budget. The building is considerably larger than the 100+ year old previous facility, and the vehicle miles have increased.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions or need additional information, contact Sandra E. Sheehan, Administrator, Pioneer Valley Transit Authority, 2808 Main Street, Springfield, MA 01107.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

STATEMENTS OF NET POSITION

June 30,

	<u>2019</u>	<u>2018</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and equivalents	\$ 3,165,460	\$ 309,232
Short-term investments	490,702	2,901,317
Receivables, net	22,278,155	31,617,199
Prepaid expenses	590,451	542,414
Total current assets	<u>26,524,768</u>	<u>35,370,162</u>
Investment in Holyoke Intermodal Facility, LLC	3,981,884	4,027,668
Property and equipment, net	<u>118,846,735</u>	<u>120,793,716</u>
Total assets	<u>149,353,387</u>	<u>160,191,546</u>
Deferred outflows of resources		
Deferred outflows related to pensions	2,686,681	2,821,849
Deferred outflows related to other post employment benefits	---	646,253
Total deferred outflows of resources	<u>2,686,681</u>	<u>3,468,102</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>152,040,068</u>	<u>163,659,648</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current liabilities		
Accounts payable	7,132,244	16,513,641
Accrued payroll and related liabilities	616,885	596,028
Insurance claims reserve	2,750,000	2,500,000
Unearned revenue	165,634	32,451
Accrued interest	325,679	239,500
Note payable	<u>13,100,000</u>	<u>13,100,000</u>
Total current liabilities	24,090,442	32,981,620
Net pension liabilities	4,713,360	4,256,176
Accrued other post employment benefits	<u>40,598,463</u>	<u>41,577,409</u>
Total liabilities	<u>69,402,265</u>	<u>78,815,205</u>
Deferred inflows of resources		
Deferred inflows related to pensions	684,480	673,175
Deferred inflows related to other post employment benefits	4,715,537	---
Total deferred inflows of resources	<u>5,400,017</u>	<u>673,175</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>74,802,282</u>	<u>79,488,380</u>
NET POSITION		
Invested in capital assets, net of related debt	122,828,619	124,821,384
Restricted reserve	1,580,175	1,580,175
Unrestricted	<u>(47,171,008)</u>	<u>(42,230,291)</u>
TOTAL NET POSITION	<u>\$ 77,237,786</u>	<u>\$ 84,171,268</u>

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2019

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 6,675,565	\$ 6,713,061	\$ 37,496
Paratransit income	711,672	794,068	82,396
Shuttle service income	26,028	19,539	(6,489)
Total operating revenues	<u>7,413,265</u>	<u>7,526,668</u>	<u>113,403</u>
Operating expenses			
Fixed route service	35,543,634	39,746,026	(4,202,392)
Paratransit service	9,852,264	8,963,922	888,342
Shuttle service	248,312	188,913	59,399
Administrative salaries, taxes and fringe benefits	2,436,328	3,430,792	(994,464)
Other administrative expenses	1,910,328	1,753,523	156,805
Total operating expenses	<u>49,990,866</u>	<u>54,083,176</u>	<u>(4,092,310)</u>
Operating income (loss)	<u>(42,577,601)</u>	<u>(46,556,508)</u>	<u>(3,978,907)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	7,165,697	6,283,734	(881,963)
Massachusetts	25,233,938	25,233,938	---
Member communities	8,947,886	8,947,886	---
Other assistance	893,204	803,396	(89,808)
Advertising income	300,000	256,570	(43,430)
Other income	109,992	156,493	46,501
Interest income	69,996	164,759	94,763
Interest expense	(143,112)	(276,769)	(133,657)
Total non-operating revenues (expenses)	<u>42,577,601</u>	<u>41,570,007</u>	<u>(1,007,594)</u>
Income (loss) before capital contributions and other items	<u>\$ ---</u>	(4,986,501)	<u>\$ (4,986,501)</u>
Contributed capital		18,024,710	
Nonreimbursable depreciation		<u>(19,971,691)</u>	
CHANGE IN NET POSITION		(6,933,482)	
Net position, beginning		<u>84,171,268</u>	
NET POSITION, ENDING		<u>\$ 77,237,786</u>	

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Fixed route income	\$ 6,656,845	\$ 6,268,580	\$ (388,265)
Paratransit income	720,986	716,660	(4,326)
Shuttle service income	26,545	26,281	(264)
Total operating revenues	<u>7,404,376</u>	<u>7,011,521</u>	<u>(392,855)</u>
Operating expenses			
Fixed route service	34,075,026	34,195,783	(120,757)
Paratransit service	8,611,733	8,646,729	(34,996)
Shuttle service	232,737	243,495	(10,758)
Administrative salaries, taxes and fringe benefits	2,427,744	2,684,995	(257,251)
Other administrative expenses	1,704,689	1,602,683	102,006
Reimbursable depreciation	---	3,431	(3,431)
Total operating expenses	<u>47,051,929</u>	<u>47,377,116</u>	<u>(325,187)</u>
Operating income (loss)	<u>(39,647,553)</u>	<u>(40,365,595)</u>	<u>(718,042)</u>
Non-operating revenues (expenses)			
Government operating assistance			
Federal	6,694,961	6,858,006	163,045
Massachusetts	22,980,428	23,095,330	114,902
Member communities	8,729,645	8,729,645	---
Other assistance	551,056	591,690	40,634
Advertising income	228,062	268,066	40,004
Other income	42,298	98,279	55,981
Interest income	101,238	109,199	7,961
Interest expense	(111,430)	(141,000)	(29,570)
Total non-operating revenues (expenses)	<u>39,216,258</u>	<u>39,609,215</u>	<u>392,957</u>
Income (loss) before capital contributions and other items	<u>\$ (431,295)</u>	<u>(756,380)</u>	<u>\$ (325,085)</u>
Contributed capital		46,770,235	
Nonreimbursable depreciation		<u>(15,785,308)</u>	
CHANGE IN NET POSITION		30,228,547	
Net position, beginning		<u>53,942,721</u>	
NET POSITION, ENDING		<u>\$ 84,171,268</u>	

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

STATEMENTS OF CASH FLOWS

For the Year Ended June 30,

	2019	2018
Cash flows from operating activities:		
Receipts from customers	\$ 7,396,419	\$ 7,103,531
Payments for goods and services	(44,498,421)	(43,763,824)
Payments to employees	(2,512,138)	(2,070,262)
Net cash provided (used) by operating activities	<u>(39,614,140)</u>	<u>(38,730,555)</u>
Cash flows from noncapital financing activities:		
Receipts of operating grants	41,344,798	37,459,204
Proceeds from issuing revenue anticipation notes	13,100,000	13,100,000
Repayments of revenue anticipation notes	(13,100,000)	(13,100,000)
Interest paid	(190,590)	(81,125)
Net cash provided (used) by noncapital financing activities	<u>41,154,208</u>	<u>37,378,079</u>
Cash flows from capital and related financing activities:		
Receipts of capital grants	27,569,847	41,401,890
Payments for capital acquisitions	(28,874,856)	(42,220,428)
Net cash provided (used) by capital and related financing activities	<u>(1,305,009)</u>	<u>(818,538)</u>
Cash flows from investing activities:		
Distribution from investment in Holyoke Intermodal Facility, LLC	45,795	21,881
(Increase) decrease in short-term investments	2,410,615	1,441,437
Interest income	164,759	109,199
Net cash provided (used) by investing activities	<u>2,621,169</u>	<u>1,572,517</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	2,856,228	(598,497)
Cash and equivalents, beginning	<u>309,232</u>	<u>907,729</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 3,165,460</u>	<u>\$ 309,232</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
OPERATING LOSS	\$ (46,556,508)	\$ (40,365,595)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Reimbursable depreciation	---	3,431
(Gain) Loss in investment in Holyoke Intermodal Facility, LLC	(11)	(771)
Advertising and other income	413,063	366,345
Change in assets and liabilities:		
(Increase) decrease in receivables	9,263,200	(5,276,335)
(Increase) decrease in prepaid expenses	(48,037)	(81,697)
Increase (decrease) in accounts payable	(8,076,388)	5,500,214
Increase (decrease) in accrued payroll and related liabilities	20,857	175,678
Increase (decrease) in insurance claims reserve	250,000	200,000
Increase (decrease) in unearned revenue	133,183	(8,205)
Increase (decrease) in net pension liabilities	603,657	(314,047)
Increase (decrease) in other post employment benefits	4,382,844	1,070,427
Net cash provided (used) by operating activities	<u>\$ (39,614,140)</u>	<u>\$ (38,730,555)</u>

See notes to financial statements.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Pioneer Valley Transit Authority (the Authority) operates under Massachusetts General Laws (MGL) Chapter 161B as a body politic and a corporate and political subdivision of the Commonwealth of Massachusetts. The Authority is a component unit of the Massachusetts Department of Transportation. Massachusetts provides funding to the Authority. Its members consist of the cities and towns of Agawam, Amherst, Belchertown, Chicopee, East Longmeadow, Easthampton, Granby, Hadley, Hampden, Holyoke, Leverett, Longmeadow, Ludlow, Northampton, Palmer, Pelham, South Hadley, Springfield, Sunderland, Ware, West Springfield, Westfield, Wilbraham and Williamsburg. It has a general responsibility to develop, finance and contract for the operation of mass transportation facilities within its territory. It is authorized to improve, modify, or extend existing facilities and enter into agreements with other parties, including government agencies, municipalities, authorities, private transportation companies, railroads, corporations, and other concerns, providing for construction, operation and use by such other party of any mass transportation facility or equipment of the Authority.

The Authority's activities are managed by an administrator who is appointed by an Advisory Board, which is made up of the chief elected officials or their appointees from the member communities. The Authority's operations are primarily funded through passenger fares, contractual reimbursements and operating subsidies from the federal and state government and member municipalities. In addition, the Authority receives capital grants from the federal and state government to finance acquisitions and improvements of facilities and equipment.

The Authority provides fixed route service to the cities and towns above, which is provided by Springfield Area Transit Company, Valley Area Transit Company and UMass Transit.

The Authority provides ADA paratransit service for people with disabilities throughout the Pioneer Valley within $\frac{3}{4}$ miles of a fixed route. This service provides a shared-ride and door-to-door van transportation for individuals with disabilities that prevent them from riding the fixed route bus service.

The Authority provides door-to-door, demand responsive accessible van service to seniors over the age of 60 throughout the Pioneer Valley.

Basis of Accounting

An enterprise fund is used to account for the Authority, which is maintained on the accrual basis of accounting.

The Authority uses proprietary fund accounting which follows all Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing transit services to the general public. The principal operating revenues consist of passenger fares and contract reimbursements for demand response transit services provided to agencies of the Commonwealth of Massachusetts. Operating expenses include the cost of transit services provided by third party vendors, administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 - (Continued)**Fund Net Position**

Fund net positions are classified as follows in the Authority's financial statements:

Invested in capital assets, net of related debt

The portion of net position represented by capital assets less accumulated depreciation, less outstanding debt incurred by the Authority to buy or construct them. The Authority uses these capital assets to provide transportation services; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, the resources needed to repay this debt, if any, must be provided from other sources, since these capital assets themselves cannot be used to liquidate these liabilities.

Restricted

Amounts that can be spent only for specific purposes because of state laws, or externally imposed conditions by grantors or creditors. The Authority has a restricted reserve established for the purpose of meeting the cost of extraordinary expenses in accordance with Massachusetts General Laws, Chapter 161b, Section 6(q). At June 30, 2019, the Authority's reserve balance was \$1,580,175 (\$1,580,175 at June 30, 2018).

Unrestricted

All amounts not included in other classifications.

Funding and Revenue Recognition

The Authority realizes revenue from a variety of different sources including but not limited to local assessment revenue, federal and state operating and capital assistance, fare revenue, and non-fare revenue such as advertising and rental income. Revenue is recognized on the accrual basis of accounting.

Federal and state operating and capital assistance grants are recorded at the time eligible expenditures under the terms of the grants are incurred. Reimbursement under these grants is based on expenses incurred during the fiscal year and is subject to certain compliance regulations.

Budgetary Basis of Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Administrator presents to the Advisory Board a proposed budget by April 1 each year for the fiscal year commencing the following July. The budget includes proposed expenditures and the means of financing them.
2. By June 1 each year, the budget is legally enacted by a vote of the Advisory Board.

Capital Grants

The Authority's capital assets are generally acquired with federal, state and local capital grants. These assets are owned by the Authority and included in property and equipment. Proceeds received from dispositions of these assets must be either refunded to the grantor agency or used to acquire new capital items. Capital grant revenues are reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as capital contributions.

Cash and Equivalents

For purposes of the statements of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Short-term Investments

The Authority has short-term investments in the Massachusetts Municipal Depository Trust (MMDT), which is an external investment pool that is overseen by the Massachusetts State Treasurer. The fund is valued at amortized cost, which approximates fair value.

NOTE 1 - (Continued)**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment

Property and equipment are recorded at acquisition cost and depreciation is calculated using the straight-line method over three to forty year lives.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through September 10, 2019, the date which the financial statements were available to be issued.

Concentration of Source of Supply of Labor

The Authority has a contract, expiring on June 30, 2020, for fixed route transportation services with the University of Massachusetts.

The Authority has a contract, expiring on August 31, 2020, for its fixed route transportation services with Springfield Area Transit Company (SATCo) and Valley Area Transit Company (VATCo), divisions of First Transit, Inc.

Approximately ninety-seven percent (97%) of SATCo's employees are members of the Local 448 of the Amalgamated Transit Union. SATCo's labor agreement with the Union expires on June 30, 2021.

Approximately eighty-five percent (85%) of VATCo's employees are members of the Local 1459 United Food and Commercial Workers International Union. VATCo's labor agreement with the Union is effective through December 31, 2021.

Comparative Information

Certain prior year amounts may have been reclassified to conform to the current year presentation.

NOTE 2 - DEPOSITS AND SHORT-TERM INVESTMENTS

State and local statutes place certain limitations on the nature of deposits and investments available to the Authority. Deposits, including demand deposits, money markets and certificates of deposit in any one financial institution, may not exceed certain levels unless collateralized by the financial institution involved. Investments may be made in unconditionally guaranteed U.S. Government obligations having maturities of a year or less from the date of purchase, or through repurchase agreements with maturities of no greater than 90 days in which the underlying securities consist of such obligations. Other allowable investments include authorized bonds of all states, banker's acceptances, commercial paper rated within the three highest classifications established by rating agencies, and units in the Massachusetts Municipal Depository Trust (MMDT).

Deposit Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority carries deposits with Berkshire Bank that are insured by FDIC insurance. Insured bank deposits as of June 30, 2019, were \$170,841. Uninsured bank deposits as of June 30, 2019 were \$-0-.

NOTE 2 - (Continued)**Investment Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Authority has \$4,490,702 invested in Massachusetts Municipal Depository Trust (MMDT) cash portfolio as of June 30, 2019. MMDT is a local government investment pool, established under Massachusetts General Laws, Chapter 29, Section 38A. The Authority reports its investment in MMDT at amortized cost as allowed by GASB 79, which approximates the net asset value of \$1.00 per share. An investment in the MMDT cash portfolio is not a deposit of a bank and is neither insured nor guaranteed by the Commonwealth of Massachusetts or the U.S. government, the Federal Deposit Insurance Corporation (FDIC) or any other government agency. MMDT has no redemption restrictions.

A transfer of \$4,000,000 from the MMDT investment account to the Berkshire Bank checking account was initiated on June 28, 2019 but did not clear until July 1, 2019. Accordingly, the Statement of Net Position as of June 30, 2019 reflects this transfer.

NOTE 3 - RECEIVABLES CONSISTED OF THE FOLLOWING AT JUNE 30:

	2019	2018
Current receivables		
Federal		
Operating assistance	\$ 3,320,597	\$ 3,681,518
Capital assistance	1,955,329	2,440,289
Total - Federal	<u>5,275,926</u>	<u>6,121,807</u>
Massachusetts		
Capital assistance	4,148,897	13,209,074
Total - Massachusetts	<u>4,148,897</u>	<u>13,209,074</u>
Member communities		
Operating assistance for current year expenditures	8,947,886	8,729,645
Operating assistance for prior year expenditures	3,506,288	3,287,764
Total - member communities	<u>12,454,174</u>	<u>12,017,409</u>
Trade receivables		
Accounts receivable	399,158	268,909
Allowance for uncollectible	---	---
Total - trade receivables	<u>399,158</u>	<u>268,909</u>
Total receivables	<u>\$ 22,278,155</u>	<u>\$ 31,617,199</u>

Based on management's assessment of the outstanding receivable balances at year end, they have concluded that an allowance for uncollectible accounts was not considered necessary.

The Federal government, under 49 USC section 5311, may provide assistance of up to 50% of the Authority's net operating costs for the rural fixed routes. In addition, under 49 USC sections 5307, 5309 and 5310, the Federal government may provide 80% to 100% of the cost of capital equipment and maintenance.

NOTE 3 - (Continued)

Massachusetts general laws require the operating assistance assessed upon local cities and towns be at least 25% of net cost of service, including new services. The local assessment can be increased by a maximum of 2.5% of the previous year's local assessment plus 25% of the cost of new service.

The Authority has a contract with the Commonwealth of Massachusetts under which Massachusetts agrees to provide operating assistance for a portion of the operating deficit remaining after any federal grants and the local assistance have been applied.

NOTE 4 - PREPAID EXPENSES CONSISTED OF THE FOLLOWING AT JUNE 30:

	2019	2018
Insurance	\$ 94,773	\$ 104,386
Pension	288,869	288,869
Fuel	107,082	96,499
Rent	70,137	---
Other	29,590	52,660
Total	<u>\$ 590,451</u>	<u>\$ 542,414</u>

NOTE 5 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT JUNE 30:

	2019				
	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 1,965,505	\$ ---	\$ ---	\$ ---	\$ 1,965,505
Construction in progress					
Operations and Maintenance Facility	55,135,411	7,663,180	---	(62,798,591)	---
Total capital assets, not being depreciated	<u>57,100,916</u>	<u>7,663,180</u>	<u>---</u>	<u>(62,798,591)</u>	<u>1,965,505</u>
Capital assets, being depreciated:					
Buildings and improvements	38,835,093	5,312,328	---	62,798,591	106,946,012
Revenue vehicles	105,046,364	2,863,459	(2,626,194)	---	105,283,629
Equipment	55,986,957	2,142,980	---	---	58,129,937
Service vehicles	1,786,382	42,763	(22,385)	---	1,806,760
Total capital assets, being depreciated	<u>201,654,796</u>	<u>10,361,530</u>	<u>(2,648,579)</u>	<u>62,798,591</u>	<u>272,166,338</u>
Less accumulated depreciation for:					
Buildings and improvements	25,176,459	7,378,616	---	---	32,555,075
Revenue vehicles	65,686,586	8,021,975	(2,626,194)	---	71,082,367
Equipment	45,619,835	4,441,379	---	---	50,061,214
Service vehicles	1,479,116	129,721	(22,385)	---	1,586,452
Total accumulated depreciation	<u>137,961,996</u>	<u>19,971,691</u>	<u>(2,648,579)</u>	<u>---</u>	<u>155,285,108</u>
Total capital assets, being depreciated, net	<u>63,692,800</u>	<u>(9,610,161)</u>	<u>---</u>	<u>62,798,591</u>	<u>116,881,230</u>
Capital assets, net	<u>\$ 120,793,716</u>	<u>\$ (1,946,981)</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 118,846,735</u>

NOTE 5 - (Continued)

	2018				
	Beginning Balance	Increases	Decreases	Reclassification	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 1,965,505	\$ ---	\$ ---	\$ ---	\$ 1,965,505
Construction in progress					
Operations and Maintenance Facility	16,473,512	38,661,899	---	---	55,135,411
Total capital assets, not being depreciated	18,439,017	38,661,899	---	---	57,100,916
Capital assets, being depreciated:					
Buildings and improvements	38,751,098	83,995	---	---	38,835,093
Revenue vehicles	102,645,669	4,467,630	(2,066,935)	---	105,046,364
Equipment	53,605,929	3,502,646	(1,121,618)	---	55,986,957
Service vehicles	1,732,317	54,065	---	---	1,786,382
Total capital assets, being depreciated	196,735,013	8,108,336	(3,188,553)	---	201,654,796
Less accumulated depreciation for:					
Buildings and improvements	23,004,593	2,171,866	---	---	25,176,459
Revenue vehicles	59,418,332	8,335,189	(2,066,935)	---	65,686,586
Equipment	41,628,921	5,112,532	(1,121,618)	---	45,619,835
Service vehicles	1,309,964	169,152	---	---	1,479,116
Total accumulated depreciation	125,361,810	15,788,739	(3,188,553)	---	137,961,996
Total capital assets, being depreciated, net	71,373,203	(7,680,403)	---	---	63,692,800
Capital assets, net	\$ 89,812,220	\$ 30,981,496	\$ ---	\$ ---	\$ 120,793,716

NOTE 6 - INVESTMENT IN HOLYOKE INTERMODAL FACILITY, LLC

On February 7, 2007 the Authority entered into a Joint Development Agreement with the City of Holyoke and Holyoke Intermodal Facility, LLC, (a limited liability company created by the real estate arm of Peter Pan Bus Lines, Inc.) for the purpose of undertaking the design and construction of the renovations to a building located at 206 Maple Street, Holyoke, Massachusetts, known as the Holyoke Multimodal Transportation Center. Holyoke Intermodal Facility, LLC is the owner of the building. The Authority has a one percent (1%) interest in the Holyoke Intermodal Facility, LLC which is accounted for under the equity method. The Authority receives, on an annual basis, ten percent of the “net operating income” of the LLC as defined in the Joint Development Agreement.

The City of Holyoke had conveyed certain property to Holyoke Intermodal Facility, LLC which included a permanent restriction on approximately 3,000 square feet of space on the ground level to be used for transit purposes only. In consideration of the extent of public funding provided to the project through the Authority, the 3,000 square feet of the ground floor was restricted for transit use and is leased back to the Authority free of charge in perpetuity. The project was completed in fiscal year 2011 at which time the Authority started leasing back a portion of the facility. In the event that the LLC should sell the property, and depending on the timing of the sale, a portion of the sales proceeds will go to the Authority as described in the Joint Development Agreement. The details of the lease agreement with the LLC are described in Note 10 of these financial statements.

NOTE 6 - (Continued)

During the years ended June 30, the following was recorded:

	2019	2018
Investment in Holyoke Intermodal Facility, LLC, beginning	\$ 4,027,668	\$ 4,048,778
Gain (Loss) from Holyoke Intermodal Facility, LLC	11	771
Distributions from Holyoke Intermodal Facility, LLC	<u>(45,795)</u>	<u>(21,881)</u>
Investment in Holyoke Intermodal Facility, LLC, ending	<u>\$ 3,981,884</u>	<u>\$ 4,027,668</u>

NOTE 7 - ACCOUNTS PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

	2019	2018
Accounts payable		
Capital projects	\$ 2,943,670	\$ 13,793,816
General operations	2,084,243	1,131,009
Fixed route operator	<u>2,104,331</u>	<u>1,588,816</u>
Total	<u>\$ 7,132,244</u>	<u>\$ 16,513,641</u>

The Springfield Area Transit Company, Valley Area Transit Company and UMass Transit are the fixed route operators for the Authority. The assets and liabilities held by the fixed route operators are owned by the Authority and consist mainly of inventory, prepaid expenses, accounts payable and accrued wages and benefits. The value of these assets less liabilities held by the fixed route operators as of June 30, 2019 and 2018 was \$2,104,331 and \$1,588,816, respectively, and are reported as fixed route operator accounts payable in the Authority's financials statements.

NOTE 8 - NOTE PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

Revenue anticipation notes consisted of the following for the year ended June 30:

	2019	2018
2.50% Revenue anticipation note, due July 19, 2019	\$ 13,100,000	
2.00% Revenue anticipation note, due July 20, 2018		<u>\$ 13,100,000</u>
Total	<u>\$ 13,100,000</u>	<u>\$ 13,100,000</u>

Revolving Line of Credit

The Authority has a \$3,000,000 revolving line of credit, due on demand with Berkshire Bank. The line of credit is secured by the Authority's assets. Interest is at the Prime Rate as published in the Wall Street Journal. The interest rate was 5.50% at June 30, 2019. The balance outstanding as of June 30, 2019 was \$0-.

NOTE 8 - (Continued)

On July 19, 2019, the Authority issued a \$13,100,000 operating assistance anticipation note maturing on July 16, 2020 at a rate of 2.00%. The Authority repaid the \$13,100,000 note due July 19, 2019.

The Commonwealth is required pursuant to Section 10 of Chapter 161B of the Massachusetts General Laws to pay to the Authority amounts duly certified by the Administrator as necessary to pay the principal and interest on these notes if sufficient funds are not otherwise available; the obligation of the Commonwealth to pay such amounts to the Authority is a general obligation of the Commonwealth, and the full faith and credit of the Commonwealth is pledged to make such payments.

NOTE 9 - NET POSITION CONSISTED OF THE FOLLOWING AT JUNE 30:

	2019			
	Invested in capital assets	Restricted Reserve	Unrestricted	Total
Net loss			\$ (4,986,501)	\$ (4,986,501)
Nonreimbursable depreciation	\$ (19,971,691)			(19,971,691)
Capital asset additions - government funded	18,024,710			18,024,710
Decrease in investment in Holyoke Intermodal Facility, LLC	(45,784)		45,784	---
Increase (decrease) in net position	(1,992,765)	---	(4,940,717)	(6,933,482)
Net position, beginning	124,821,384	1,580,175	(42,230,291)	84,171,268
Net position, ending	<u>\$ 122,828,619</u>	<u>\$ 1,580,175</u>	<u>\$ (47,171,008)</u>	<u>\$ 77,237,786</u>

	2018			
	Invested in capital assets	Restricted Reserve	Unrestricted	Total
Net loss			\$ (756,380)	\$ (756,380)
Reimbursable depreciation	\$ (3,431)		3,431	---
Nonreimbursable depreciation	(15,785,308)			(15,785,308)
Capital asset additions - government funded	46,770,235			46,770,235
Decrease in investment in Holyoke Intermodal Facility, LLC	(21,110)		21,110	---
Increase (decrease) in net position	30,960,386	---	(731,839)	30,228,547
Net position, beginning	93,860,998	1,580,175	(41,498,452)	53,942,721
Net position, ending as restated	<u>\$ 124,821,384</u>	<u>\$ 1,580,175</u>	<u>\$ (42,230,291)</u>	<u>\$ 84,171,268</u>

NOTE 10 - OPERATING LEASES

Springfield Union Station Lease

In July 2017, the Authority entered into a 25-year agreement to lease space at the Springfield Union Station Intermodal Facility at 55 Frank B. Murray Street, Springfield, MA. The Authority has the right to renew the lease for seven consecutive ten-year terms. The leased premises consist of 18 bus berths, 2,300 square feet of support (office) space, 1,800 square feet of waiting area space, and 10 parking spaces. The Authority shall pay to the Lessor a base fee for the parking spaces and their pro-rata share of operation and maintenance expenses of the bus berths, support space, and waiting area space.

Parking Spaces

The Authority shall pay a base fee of \$7,800 per annum, increasing 1.5% each year (\$7,917 for fiscal year 2019).

Pro-rata Share of Operating and Maintenance Costs

Every year during the lease, the Authority shall pay, as additional fees, their pro-rata allocation of shared services for the operation and maintenance of the bus berths, support space, and waiting area space, based on the Authority's total rentable square feet and occupied bus berths. The additional fees shall be paid monthly in the amounts reasonably estimated by the Lessor, with an adjustment made after the close of the lease year to account for the actual operating and maintenance costs.

Total lease expense for the year ended June 30, 2019 was \$297,040; \$7,917 for parking space and \$289,123 for the Authority's pro-rata share of operating and maintenance costs, as reconciled by the Lessor.

Approximate future lease commitments payable during the years ending June 30 are as follows:

	Parking Spaces	Pro-rata Share of Operating Costs (Estimated)*
2020	\$ 8,036	\$ 398,136
2021	8,156	Not Available
2022	8,279	Not Available
2023	8,403	Not Available
2024	8,529	Not Available
2025 - 2042	177,372	Not Available
Total	<u>\$ 218,775</u>	

* Pro-rata share of operating and maintenance costs are dependent upon the operating costs of the Lessor each year, which are unknown at this time. The estimate for fiscal year 2020 is based on information received from the Lessor, which will be reconciled to an actual amount at the end of fiscal year 2020.

Holyoke Multimodal Transportation Center Lease

The Authority is leasing approximately 3,000 square feet with the right to use common areas of the Holyoke Multimodal Transportation Center building, including all driveways, parking areas and roadways serving the property. The lease commenced in September 2010 and expires on the last date of the fiftieth (50th) year following the commencement date. The Authority has the option to extend the lease for separate and successive extension periods of fifty (50) lease years each. The Authority has no obligation to pay rent, it being agreed that the public funding provided for the project was in lieu of any rent owed. Notwithstanding, the Authority does have the obligation to pay for separately metered utilities and its share of common area maintenance (CAM) charges. CAM charges for the year ended June 30, 2019 was \$20,397.

The Authority has a one-percent (1%) ownership interest in Holyoke Intermodal Facility, LLC which is disclosed in Note 6 of these financial statements.

NOTE 11 - PVTA PENSION PLAN

Plan

The Authority provides retirement benefits to employees through the Pioneer Valley Transit Authority Pension Plan (the Plan), a single-employer pension plan. This is a defined benefit pension plan that covers all employees that work at least 1,000 hours in a twelve month consecutive period, and agree to make employee contributions. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The Plan's report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413) 732-6248.

Results of the Plan for fiscal year ended June 30, 2019 are based on liabilities developed in an actuarial valuation performed as of June 30, 2018 with a measurement date of June 30, 2018.

Results of the Plan for fiscal year ended June 30, 2018 were based on liabilities developed in an actuarial valuation performed as of June 30, 2017 with a measurement date of June 30, 2017.

Accounting Policy

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pioneer Valley Transit Authority Pension Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Membership

The following employees were covered by the benefit terms for the plan year ending June 30:

	2018	2017
Active employees	24	21
Inactive employees entitled to but not yet receiving benefits	19	19
Inactive employees or beneficiaries currently receiving benefits	24	22
Total	67	62

Benefits Provided

The Plan provides retirement, death and disability benefits and provides for retirement benefits of 2.50% of a member's average compensation times the number of years of service to a maximum of 32 years. Before July 1, 1999, the benefit was 2.25% of average compensation times years of service to a maximum of 35 years. The normal retirement date is the first day of the month following a participant's 65th birthday. The normal form of payment is a monthly annuity payable for life, with 120 monthly payments guaranteed. Other options are available. Early retirement is available for any member who has attained age 55 and completed 10 years of service. The amount payable to an early retiree is the member's accrued benefit at the time of early retirement, reduced by 3% per year for each of the first five years before age 65 plus 7% for each additional year. If a participant works past age 65, the benefit payable on the deferred retirement date will be the greater of (i) the actuarial equivalent of the age 65 accrued benefit or (ii) the benefit calculated using credited service as of the participant's deferred retirement date. Members of the Plan become fully vested after seven years of service. A member becomes 100% vested in their accrued retirement pension upon their 65th birthday.

Contributions

Each year, the Authority and its employees make contributions to the Plan. While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of the Authority to contribute the amount necessary to finance the costs of benefits earned by employees each year as well as a 15-year level dollar amortization of existing net pension liability as of the valuation date. For the plan year ending June 30, 2018, the average employee contribution was 3.70% (3.96% for plan year ending June 30, 2017) and the Authority's average contribution rate was 11.41% (23.21% for plan year ending June 30, 2017) of annual payroll.

NOTE 11 - (Continued)**Actuarial Assumptions**

The total pension liability in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial assumptions

Inflation:	3% and for future periods
Salary increases:	4% annually and for future periods
Investment rate of return:	6.88%, net of pension plan investment expense, including inflation.
Pre- and post-retirement mortality:	Mortality rates were based upon the 2018 and 2017 IRS Mortality Tables for small plans
Employee termination:	None assumed
Retirement age:	Age 65 or normal retirement date, if later
Pre-retirement death benefit:	Calculated using aforementioned mortality, interest and termination assumptions and on the assumption that 100% of plan members have spouses
Expenses:	Investment return is assumed to be net of plan expenses paid from the trust fund

The long term rate of return on pension plan investments for the 2018 and 2017 actuarial valuations were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	65.00%	4.50%
Fixed income	30.00%	3.00%
Cash	5.00%	1.00%
Total	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 6.88% for the 2018 and 2017 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 11 - (Continued)**Changes in net pension liability – PVTA Pension Plan**

	Increase (Decrease) (Plan year end June 30, 2018)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 7,115,060	\$ 4,564,185	\$ 2,550,875
Changes for the year:			
Service cost	399,036		399,036
Interest	528,550		528,550
Changes in benefit terms	---		---
Differences between actual and expected experience	238,470		238,470
Contributions - employer		174,456	(174,456)
Contributions - employee		56,625	(56,625)
Net investment income		310,301	(310,301)
Benefit payments, including refunds of member contributions	(336,643)	(336,643)	---
Administrative expense	---	---	---
Net changes	829,413	204,739	624,674
Balances at June 30, 2019	\$ 7,944,473	\$ 4,768,924	\$ 3,175,549

	Increase (Decrease) (Plan year end June 30, 2017)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 6,274,190	\$ 4,086,597	\$ 2,187,593
Changes for the year:			
Service cost	237,541		237,541
Interest	458,403		458,403
Changes in benefit terms	---		---
Differences between actual and expected experience	447,146		447,146
Contributions - employer		355,018	(355,018)
Contributions - employee		60,494	(60,494)
Net investment income		364,336	(364,336)
Benefit payments, including refunds of member contributions	(302,220)	(302,220)	---
Administrative expense	---	(40)	40
Net changes	840,870	477,588	363,282
Balances at June 30, 2018	\$ 7,115,060	\$ 4,564,185	\$ 2,550,875

NOTE 11 - (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability, calculated using the discount rate of 6.88%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.88%) or 1 percentage point higher (7.88%) than the current rate:

	1% Decrease (5.88%)	Current Discount (6.88%)	1% Increase (7.88%)
Plan net pension liability as of June 30, 2019			
for plan year ending June 30, 2018	\$ 4,293,776	\$ 3,175,549	\$ 2,264,322
Plan net pension liability as of June 30, 2018			
for plan year ending June 30, 2017	\$ 3,413,080	\$ 2,550,875	\$ 1,822,906

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2019, the Transit Authority recognized pension expense of \$1,088,553, which includes the change in deferred inflows and outflows of resources (\$572,485 for the year ended June 30, 2018). The Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 812,282	\$ (24,076)	\$ 747,071	\$ (35,608)
Changes in assumptions	---	---	---	---
Net difference between projected and actual earnings on pension plan investments	---	(572,596)	---	(526,777)
Contributions subsequent to the measurement date	716,457	---	440,977	---
Total	\$ 1,528,739	\$ (596,672)	\$ 1,188,048	\$ (562,385)
Net deferred outflows (inflows) of resources	<u>\$ 932,067</u>		<u>\$ 625,663</u>	

Amounts reported as of June 30 for deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 657,754
2021	(9,274)
2022	53,159
2023	15,740
2024	20,377
Thereafter	<u>194,311</u>
Total deferred outflows (inflows) of resources	\$ 932,067

Payable to Pension Plan

At June 30, 2019, the Transit Authority reported a payable of \$547,481 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019 (\$271,106 for the year ended June 30, 2018).

NOTE 12 - SATCO TRANSIT EMPLOYEE RETIREMENT PLAN (TERP)

Transit Employee Retirement Plan (TERP)

The liability for the TERP pension plan of the Authority's major transportation provider, Springfield Area Transportation Company, Inc. (SATCo) is included in the Authority's financial statements under transportation expenses and accrued expenses. The Authority is responsible for funding these expenses.

The TERP plan, which is subject to the provisions of the Employment Retirement Income Security Act (ERISA), covers only members of the Amalgamated Transit Union Local No. 448 AFL-CIO (the Union) who were plan participants as of June 30, 2008. The TERP plan, as of June 30, 2008, was frozen and employee contributions were discontinued upon adoption of the SATCo Employees Retirement Plan (SERP) (see Note 13). Prior to June 30, 2008, employees could become members of the plan on their forty-fifth day of employment.

The TERP plan provides retirement benefits in the form of an annuities payable monthly for life, commencing on the date of retirement and terminating the month prior to death. The benefit is \$40 multiplied by the years of credited service through June 30, 2008 when the plan was frozen. Pension provisions also include death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive a reduced annual benefit. Members of the TERP plan became vested after five years of service. Retirement is available if a participant has reached the age of 55 with 10 years of service. Normal retirement is attained at age 65.

For the years ended June 30, 2019 and 2018, SATCo's pension expense for the TERP plan was \$350,000 and \$400,000, respectively. The funding surplus as of July 1, 2018 was \$2,600,619. The funding surplus as of July 1, 2017 was \$3,162,208.

The TERP Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The TERP Plan's report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413) 732-6248.

At June 30, 2019, SATCo reported a payable of \$-0- for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019 (\$-0- at June 30, 2018).

NOTE 13 - SATCO EMPLOYEE RETIREMENT PLAN (SERP)

Plan

The liability for the SERP pension plan of the Authority's major transportation provider, Springfield Area Transportation Company, Inc. (SATCo) is included in the Authority's financial statements under transportation expenses and accrued expenses. The Authority is responsible for funding these expenses.

The SERP plan was adopted on July 1, 2008. This plan is a governmental plan within the means of Section 414(d) of the Internal Revenue Code and Sections 3(32) and 4021(b)(d) of ERISA and is exempt from funding rules under Title I of ERISA. Pioneer Valley Transit Authority is the Plan Sponsor for the SERP plan. The SERP plan is available to all employees of SATCo who were members of the Transit Employee Retirement Plan (TERP) or have completed 45 days of employment and agree to join the plan via the required member application.

The SERP Plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The SERP Plan's report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413) 732-6248.

Results of the SERP Plan for fiscal year ended June 30, 2019 are based on liabilities developed in an actuarial valuation performed as of June 30, 2018 with a measurement date of June 30, 2018.

Results of the SERP Plan for fiscal year ended June 30, 2018 are based on liabilities developed in an actuarial valuation performed as of June 30, 2017 with a measurement date of June 30, 2017.

NOTE 13 - (Continued)**Salary Reduction Agreement**

As the Transit Employee Retirement Plan (TERP) had been frozen, and it was determined that employee contributions could not be made directly to a frozen plan, a general funding plan was adopted to fund both the TERP and the SERP. In order to provide for approximately the same total contribution amount to both plans and to maintain funding amount flexibility as needed between the two plans, it was agreed that a unified wage reduction plan be established. Under the agreement, SATCo uses the entire proceeds of the salary reduction program to fund the pension plans. Additionally, SATCo makes contributions into the plans based upon actuarially determined amounts.

Accounting Policy

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Membership

The following employees were covered by the benefit terms for the plan year ending June 30:

	2018	2017
Active employees	244	255
Inactive employees entitled to but not yet receiving benefits	9	18
Inactive employees or beneficiaries currently receiving benefits	63	49
Total	316	322

Benefits Provided

The SERP Plan provides retirement, death and disability benefits. The normal retirement date is the first day of the month following a participant's 65th birthday. The normal retirement benefit is a monthly benefit of \$40 multiplied by years of credited service. Credited service is elapsed time from date of hire to termination of service date. Credited service for benefit purposes only considers service on or after July 1, 2008. The normal form of payment is a monthly annuity payable for life. Vesting is 0% for fewer than 5 years of service and is 100% for 5 or more years of service.

Early retirement is available for any participant who has attained age 55 and completed 10 years of service, 85 "points" or 30 years of service regardless of age. Unreduced early retirement is available to anyone with 85 points or 30 years of service at retirement. Otherwise, the amount payable to an early retiree is the participant's accrued benefit at the time of early retirement, reduced by 4% per year for each of the first five years before age 65 plus 5% for each additional year. If a participant works past age 65, the benefit payable on the deferred retirement date will be the greater of (i) the actuarial equivalent of the age 65 accrued benefit or (ii) the benefit calculated using credited service as of the participants deferred retirement date.

In the event of death of a participant prior to their retirement, the surviving spouse will receive the amount that would have been paid had the participant retired early and elected the 100% joint and survivor benefit. In the event a participant incurs, prior to their normal retirement date, a disability as defined in the plan agreement, they shall be entitled to a fully vested interest in their accrued pension as of the date of disability.

Contributions

Each year SATCo and its employees make contributions to the Plan. While there is no statutory or regulatory requirement to contribute the actuarially determined contribution, it is the intent of SATCo to contribute the amount necessary to meet benefit obligations when due. The Company's average contribution rate was 4.09% for plan year ending June 30, 2018 (4.39% for plan year ending June 30, 2017) of annual payroll.

NOTE 13 - (Continued)**Actuarial Assumptions**

The total pension liability in the June 30, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.50% and for future periods
Salary increases:	N/A
Investment rate of return:	6.27%, net of pension plan investment expense, including inflation
Cost of living adjustment:	None
Pre- and post-retirement mortality:	Mortality rates were based upon the 2018 and 2017 IRS Mortality Tables for small plans
Retirement age:	Age 65 or normal retirement date, if later
Pre-retirement death benefit	Calculated using aforementioned mortality, interest and termination assumptions and on the assumption that 100% of plan members have spouses
Expenses:	Investment return is assumed to be net of plan expenses paid from the trust fund

The long term rate of return on pension plan investments for the 2018 and 2017 actuarial valuations were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	59.00%	4.50%
Fixed income	35.00%	3.00%
Cash	6.00%	1.00%
Total	<u>100.00%</u>	

Discount rate

The discount rate used to measure the total pension liability was 6.27% for the 2018 and 2017 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the current rate and that contributions will be made at rates at least equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 13 - (Continued)**Changes in net pension liability – SATCo SERP**

	Increase (Decrease) (Plan year end June 30, 2018)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 7,877,129	\$ 6,171,828	\$ 1,705,301
Changes for the year:			
Service cost	408,631		408,631
Interest	527,876		527,876
Changes in benefit terms	---		---
Differences between actual and expected experience	434,823		434,823
Contributions - employer		625,074	(625,074)
Contributions - employee		524,926	(524,926)
Net investment income		439,395	(439,395)
Benefit payments, including refunds of member contributions	(266,628)	(266,628)	---
Administrative expense		(50,575)	50,575
Net changes	1,104,702	1,272,192	(167,490)
Balances at June 30, 2019	\$ 8,981,831	\$ 7,444,020	\$ 1,537,811

	Increase (Decrease) (Plan year end June 30, 2017)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 6,690,404	\$ 4,760,263	\$ 1,930,141
Changes for the year:			
Service cost	399,561		399,561
Interest	448,386		448,386
Changes in benefit terms	---		---
Differences between actual and expected experience	461,424		461,424
Contributions - employer		635,316	(635,316)
Contributions - employee		533,279	(533,279)
Net investment income		407,457	(407,457)
Benefit payments, including refunds of member contributions	(122,646)	(122,646)	---
Administrative expense		(41,841)	41,841
Net changes	1,186,725	1,411,565	(224,840)
Balances at June 30, 2018	\$ 7,877,129	\$ 6,171,828	\$ 1,705,301

NOTE 13 - (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability, calculated using the discount rate of 6.27%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.27%) or 1 percentage point higher (7.27%) than the current rate:

	1% Decrease (5.27%)	Current Discount (6.27%)	1% Increase (7.27%)
Plan net pension liability as of June 30, 2019			
for plan year ending June 30, 2018	\$ 2,732,094	\$ 1,537,811	\$ 542,063
Plan net pension liability as of June 30, 2018			
for plan year ending June 30, 2017	\$ 2,756,663	\$ 1,705,301	\$ 827,477

Pension Expense and Deferred Inflows and Outflows of Resources

For the year ended June 30, 2019, the Transit Authority recognized pension expense of \$1,394,536, which includes the change in deferred inflows and outflows of resources (\$693,786 for the year ended June 30, 2018). The Transit Authority reported deferred outflows and deferred inflows of resources related to pensions from the following sources at June 30:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 785,230	\$ (19,313)	\$ 488,376	\$ (28,102)
Changes in assumptions	---	---	---	---
Net difference between projected and actual earnings on pension plan investments	22,712	(68,495)	45,425	(82,688)
Contributions subsequent to the measurement date	350,000	---	1,100,000	---
Total	<u>\$ 1,157,942</u>	<u>\$ (87,808)</u>	<u>\$ 1,633,801</u>	<u>\$ (110,790)</u>
Net deferred outflows (inflows) of resources	<u>\$ 1,070,134</u>		<u>\$ 1,523,011</u>	

Amounts reported as of June 30 for deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2020	\$ 480,658
2021	107,945
2022	115,469
2023	123,069
2024	124,692
Thereafter	118,301
Total deferred outflows (inflows) of resources	<u>\$ 1,070,134</u>

Payable to Pension Plan

At June 30, 2019, SATCo reported a payable of \$560,230 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019 (\$360,398 for the year ended June 30, 2018).

NOTE 14 - SATCO TRANSIT MANAGEMENT PENSION PLAN (TMP)***Transit Management Pension Plan (TMP)***

The TMP plan is subject to the provisions of ERISA and covers SATCo's nonunion employees who are not covered under the SERP and TERP plans. SATCo is the Plan Sponsor for the TMP plan. Eligible participants must work at least 1,000 hours in a twelve month consecutive period and contribute 4% of their annual compensation into the plan.

The TMP plan provides for benefits in the form of an annuity payable for life, with 120 minimum monthly payments guaranteed. The benefit is 2.25% of the average compensation, calculated using the average of the participants' five highest paid consecutive years of service prior to retirement, termination or disability, multiplied by the number of years of service up to 35 years. Pension provisions also include death and disability benefits whereby the disabled employee or surviving spouse is entitled to receive a reduced annual benefit.

Members of the TMP plan become fully vested after seven years of service. Retirement is available for participants who have reached the age of 55 with 10 years of service. Normal retirement is attained at age 65.

At June 30, 2019, there were 25 plan participants; 14 active members, 7 retirees and beneficiaries, and 4 terminated vested members.

For the years ended June 30, 2019 and 2018, SATCo's pension expense for the TMP plan was \$164,311 and \$160,765, respectively, and the funding surplus (deficit) was \$(20,312) and \$39,797, respectively.

The TMP plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report can be obtained by writing to Pioneer Valley Transit Authority, 2808 Main Street, Springfield, Massachusetts 01107 or by calling (413) 732-6248.

Annual Pension Cost and Net Pension Asset – Transit Management Pension Plan

SATCo's annual pension cost and net pension obligation for the TMP plan for the years ended June 30, were as follows:

	2019	2018
Annual required contribution	\$ 115,117	\$ 113,273
Contributions made	(195,059)	(236,381)
Increase (decrease) in net pension obligation	(79,942)	(123,108)
Other adjustments and assumption changes	140,051	304,048
Net pension liability (asset) at beginning of year	(39,797)	(220,737)
Net pension liability (asset) at end of year	<u>\$ 20,312</u>	<u>\$ (39,797)</u>
	2019	2018
Actuarial value of assets	\$ 3,082,608	\$ 2,791,789
Actuarial accrued liability	<u>3,102,920</u>	<u>2,751,992</u>
Funding surplus (shortfall)	<u>\$ (20,312)</u>	<u>\$ 39,797</u>

NOTE 14 - (Continued)**Funding Policy and Actuarial Assumptions**

The Plan requires members to contribute 4% of their payroll, and requires the Authority to contribute an amount equal to approximately 10% of the total member payroll. The actuarial method and assumptions for the plan are as follows:

Valuation date:	July 1, 2018
Actuarial cost method:	Traditional unit credit cost method
Amortization method:	Level dollar
Asset valuation method:	Market value
Investment rate of return:	5.87% (6.05% at July 1, 2017)

Payable to Pension Plan

At June 30, 2019, SATCo reported a payable of \$38,019 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019 (\$50,000 for the year ended June 30, 2018).

Additional pension disclosures required by generally accepted accounting principles were not available for presentation for the TMP plan, but management of the Authority feels this information would not have a material effect on the financial statements.

NOTE 15 - PVTA OTHER POSTEMPLOYMENT BENEFITS

Effective July 1, 2017, the Authority implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. This statement established new financial reporting requirements for government entities that provide other postemployment benefits (OPEB) to its employees and retirees and required the Authority to record the net OPEB liability measured as the total actuarially accrued liability.

Plan Description and Benefits Provided

The Pioneer Valley Transit Authority Retiree Welfare Plan (the Plan) is a single-employer defined benefit plan which provides for medical and dental insurance benefits to eligible retirees and their spouses. Employees hired before April 2, 2012 become eligible to retire under this plan upon attainment of age 55 as an active member and completion of 10 years of service (age 60 with 10 years of service for those hired on or after April 2, 2012). The plan is a cost-sharing plan with employees paying 20% of medical and dental premiums in retirement.

The Authority does not issue separate financial statements on this plan.

Accounting Policy

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

NOTE 15 - (Continued)**Plan Membership**

The following employees were covered by the benefit terms for the plan year ending June 30:

	2019	2018
Active employees	19	26
Inactive employees or beneficiaries currently receiving benefits	19	15
Total	38	41

Contributions

In fiscal year 2018, the Authority established a Qualified OPEB Trust (the Trust) for the benefit of PVTA, with the intention that it qualifies as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Internal Revenue Code and Regulations issued thereunder and as a trust for OPEB in accordance with MGL Chapter 32B, Section 20.

The Trust was created for the sole purpose of providing funding for OPEB, as determined by the Authority, or as may be required by collective bargaining agreement, or by any general or special law providing for such benefits, for the exclusive benefit of the retired employees and their eligible dependents and for defraying the reasonable administrative, legal, actuarial and other expenses of the Trust. The assets held in the Trust shall not be used for or diverted to any other purpose, except as described in the Trust. The Trust is irrevocable and no trust funds shall revert to the Authority until all benefits owed to the retired employees have been satisfied or released. In addition, the assets are legally protected from creditors of the Authority and the Plan administrator.

The Authority shall have no obligation to make contributions to the Trust to fund OPEB, and the size of the Trust may not be sufficient at any one time to meet the OPEB liabilities. The Authority has not made any contributions to the OPEB Trust and the fair market value of the Trust assets as of June 30, 2019 is \$-0-.

Actuarial Methods and Assumptions

Results of the Plan for the fiscal year ended on June 30, 2019 are based on liabilities developed in an actuarial valuation performed as of July 1, 2018 with a measurement date of June 30, 2019.

Results of the Plan for the fiscal year ended on June 30, 2018 were based on liabilities developed in an actuarial valuation performed as of July 1, 2016 with a measurement date of July 1, 2017.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial assumptions

Actuarial cost method:	Individual entry age normal
Inflation:	2.75% and for future periods
Salary increases:	3% annually and for future periods
Discount rate:	2.75% per annum for 2019 (3.25% for 2018)
Municipal bond rate:	2.79% as of June 30, 2019 (3.13% as of June 30, 2018). Source is the S&P Municipal Bond 20-Year High Grade Index
Participation rate:	Assumed that 80% of employees eligible to receive retirement benefits would enroll in the Plan

NOTE 15 - (Continued)**Actuarial assumptions**

Pre- and post-retirement mortality: Mortality rates were based upon the RP-2000 Employees and Healthy Annuitant Mortality Tables for males or females projected generationally with scale BB

Healthcare trend rate: Assumed 4.50% for 2019 (5% for 2018) increase in healthcare costs

Changes in net OPEB liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	<u>\$ 5,006,045</u>	<u>\$ ---</u>	<u>\$ 5,006,045</u>
Changes for the year:			
Service cost	310,684		310,684
Interest	171,289		171,289
Changes in benefit terms	---		---
Changes in assumptions	---		---
Differences between actual and expected experience	---		---
Net investment income		---	---
Employer contributions - premiums		93,312	(93,312)
Benefit payments - premiums		(93,312)	93,312
Benefit payments including implicit cost	(93,312)		(93,312)
Administrative expense	---	---	---
Net changes	<u>388,661</u>	<u>---</u>	<u>388,661</u>
Balances at June 30, 2018	<u>5,394,706</u>	<u>---</u>	<u>5,394,706</u>
Changes for the year:			
Service cost	196,680		196,680
Interest	151,826		151,826
Changes in benefit terms	414,737		414,737
Changes in assumptions	(129,709)		(129,709)
Differences between actual and expected experience	(79,798)		(79,798)
Net investment income		---	---
Employer contributions - premiums		141,814	(141,814)
Benefit payments - premiums		(141,814)	141,814
Benefit payments including implicit cost	(141,814)		(141,814)
Administrative expense	---	---	---
Net changes	<u>411,922</u>	<u>---</u>	<u>411,922</u>
Balances at June 30, 2019	<u>\$ 5,806,628</u>	<u>\$ ---</u>	<u>\$ 5,806,628</u>

The Authority has not made any contributions to the OPEB Trust, and the fair market value of the Trust assets as of June 30, 2019 is \$-0-.

NOTE 15 - (Continued)**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount and healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rates:

		Discount Rate		
		1% Decrease (1.75%)	Current (2.75%)	1% Increase (3.75%)
Net OPEB liability as of June 30, 2019				
for plan year ending June 30, 2019		\$ 6,951,056	\$ 5,806,628	\$ 4,957,690
		1% Decrease (2.25%)	Current (3.25%)	1% Increase (4.25%)
Net OPEB liability as of June 30, 2018				
for plan year ending July 1, 2017		\$ 6,833,334	\$ 5,394,706	\$ 4,460,504
		Healthcare Cost Trend Rate		
		1% Decrease (3.50%)	Current (4.50%)	1% Increase (5.50%)
Net OPEB liability as of June 30, 2019				
for plan year ending June 30, 2019		\$ 4,792,460	\$ 5,806,628	\$ 7,161,007
		1% Decrease (4.00%)	Current (5.00%)	1% Increase (6.00%)
Net OPEB liability as of June 30, 2018				
for plan year ending July 1, 2017		\$ 4,107,459	\$ 5,394,706	\$ 7,152,354

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the years ended June 30, 2019 and 2018, the Authority recognized OPEB expense of \$579,527, which includes the change in deferred outflows and inflows of resources (\$388,661 for the year ended June 30, 2018). At June 30, 2019, the Authority reported deferred outflows and inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ ---	\$ (63,838)	\$ ---	\$ ---
Changes in assumptions	---	(103,767)	---	---
Net difference between projected and actual earnings on OPEB plan investments	---	---	---	---
Total	\$ ---	\$ (167,605)	\$ ---	\$ ---
Net deferred outflows (inflows) of resources		\$ (167,605)		\$ ---

NOTE 15 - (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (41,902)
2021	(41,902)
2022	(41,902)
2023	(41,899)
Total deferred outflows (inflows) of resources	<u>\$ (167,605)</u>

Payable to the OPEB Plan

At June 30, 2019, the Authority reported a payable of \$-0- for outstanding contributions to the Plan (\$-0- for the year ended June 30, 2018).

NOTE 16 - SATCO OTHER POSTEMPLOYMENT BENEFITS

The liability for other postemployment benefits of the Authority's major transportation provider, Springfield Area Transit Company, Inc. (SATCo) is included in the Authority's financial statements under transportation expense and long-term accrued expenses. The Authority is responsible for funding these expenses.

Plan Description and Benefits Provided

The Springfield Area Transportation Company Other Postemployment Benefits Plan (the Plan) is a single-employer defined benefit plan which provides for medical, dental and life insurance benefits to eligible retirees and their spouses. An employee becomes eligible to retire under this plan upon attainment of age 55 with 10 years of service or with 20 years of service regardless of age. For employees hired prior to July 1, 1990, an employee shall become eligible to retire under this plan upon the attainment of age 55 as an active member and completion of 10 years of service. Retirees will pay 25% of premiums for non-Medicare integrated plans and 0% for Medicare integrated plans. Retirees pay 100% of premiums for dental insurance. The employer will pay 100% of life insurance premiums.

Springfield Area Transportation Company, Inc. does not issue separate financial statements on this plan.

Accounting Policy

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Plan Membership

The following employees were covered by the benefit terms for the plan year ending June 30:

	2019
Active employees	255
Inactive employees or beneficiaries currently receiving benefits	127
Total	<u>382</u>

NOTE 16 - (Continued)**Contributions**

In fiscal year 2018, the Authority established a Qualified OPEB Trust (the Trust) for the benefit of SATCO's OPEB Plan with the intention that it qualifies as a tax-exempt trust performing an essential governmental function within the meaning of Section 115 of the Internal Revenue Code and Regulations issued thereunder and as a trust for OPEB in accordance with MGL Chapter 32B, Section 20.

The Trust was created for the sole purpose of providing funding for OPEB, as determined by the Authority, or as may be required by collective bargaining agreement, or by any general or special law providing for such benefits, for the exclusive benefit of the retired employees and their eligible dependents and for defraying the reasonable administrative, legal, actuarial and other expenses of the Trust. The assets held in the Trust shall not be used for or diverted to any other purpose, except as described in the Trust. The Trust is irrevocable and no trust funds shall revert to the Authority until all benefits owed to the retired employees have been satisfied or released. In addition, the assets are legally protected from creditors of the Authority, SATCo, and the Plan administrator.

The Authority and SATCo shall have no obligation to make contributions to the Trust to fund OPEB, and the size of the Trust may not be sufficient at any one time to meet the OPEB liabilities. The fair market value of the trust assets as of June 30, 2019 is \$216,299 (\$0- as of June 30, 2018).

Payable to OPEB Plan

At June 30, 2019, SATCo reported a payable of \$300,000 for outstanding contributions to the Plan (\$200,000 for the year ended June 30, 2018).

Actuarial Methods and Assumptions

Results of the Plan for the fiscal year ended on June 30, 2019 are based on liabilities developed in an actuarial valuation performed as of July 1, 2017 with a measurement date of June 30, 2019.

Results of the Plan for the fiscal year ended on June 30, 2018 are based on liabilities developed in an actuarial valuation performed as of July 1, 2017 with a measurement date of July 1, 2017.

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Individual entry age normal
Inflation:	2.75% and for future periods
Salary increases:	3% annually and for future periods
Discount rate:	4.00% per annum for 2019 (3.25% for 2018)
Municipal bond rate:	2.79% as of June 30, 2019 (3.13% as of June 30, 2018). Source is the S&P Municipal 20-Year High Grade Index
Pre- and post-retirement mortality:	Mortality rates were based upon the RP-2000 Employees and Healthy Annuitant Mortality Tables for males or females projected generationally with scale BB
Healthcare trend:	Assumed 4.5% for 2019 (5% for 2018) increase in healthcare costs
Participation rate:	Assumed that 100% of employees eligible to received retirement benefits would enroll in the plan

NOTE 16 - (Continued)**Changes in net OPEB liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	<u>\$ 34,854,684</u>	<u>\$ ---</u>	<u>\$ 34,854,684</u>
Changes for the year:			
Service cost	1,533,958		1,533,958
Interest	1,173,374		1,173,374
Changes in benefit terms	---		---
Changes in assumptions	---		---
Differences between actual and expected experience	(805,038)		(805,038)
Net investment income		---	---
Employer contributions - premiums		574,275	(574,275)
Benefit payments - premiums		(574,275)	574,275
Benefit payments including implicit cost	(574,275)		(574,275)
Administrative expense	---	---	---
Net changes	<u>1,328,019</u>	<u>---</u>	<u>1,328,019</u>
Balances at June 30, 2018	36,182,703	---	36,182,703
Changes for the year:			
Service cost	1,292,292		1,292,292
Interest	1,484,613		1,484,613
Changes in benefit terms	2,130,904		2,130,904
Changes in assumptions	(5,055,906)		(5,055,906)
Differences between actual and expected experience	---		---
Net investment income		16,299	(16,299)
Employer contributions to trust		500,000	(500,000)
Employer contributions - premiums		726,472	(726,472)
Benefit payments - premiums		(726,472)	726,472
Benefit payments including implicit cost	(726,472)		(726,472)
Administrative expense	---	---	---
Net changes	<u>(874,569)</u>	<u>516,299</u>	<u>(1,390,868)</u>
Balances at June 30, 2019	<u>\$ 35,308,134</u>	<u>\$ 516,299</u>	<u>\$ 34,791,835</u>

During fiscal year 2018, SATCo accrued a contribution of \$200,000 to the OPEB Trust, which was deposited in early fiscal year 2019. During fiscal year 2019, SATCo accrued a contribution of \$300,000 to the OPEB Trust, which is expected to be deposited in early fiscal year 2020.

The plan fiduciary net position as of June 30, 2019 is \$516,299; \$216,299 fair market value of OPEB Trust assets and \$300,000 payable to the plan.

NOTE 16 - (Continued)**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount and healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rates:

		Discount Rate		
		1% Decrease (3.00%)	Current (4.00%)	1% Increase (5.00%)
Net OPEB liability as of June 30, 2019				
for plan year ending June 30, 2019	\$	41,741,481	\$ 34,791,835	\$ 29,348,866
		1% Decrease (2.25%)	Current (3.25%)	1% Increase (4.25%)
Net OPEB liability as of June 30, 2018				
for plan year ending July 1, 2017	\$	43,738,467	\$ 36,182,703	\$ 30,313,357
		Healthcare Cost Trend Rate		
		1% Decrease (3.50%)	Current (4.50%)	1% Increase (5.50%)
Net OPEB liability as of June 30, 2019				
for plan year ending June 30, 2019	\$	28,644,323	\$ 34,791,835	\$ 42,831,031
		1% Decrease (4.00%)	Current (5.00%)	1% Increase (6.00%)
Net OPEB liability as of June 30, 2018				
for plan year ending July 1, 2017	\$	29,578,752	\$ 36,182,703	\$ 44,905,589

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the years ended June 30, 2019 and 2018, the Authority recognized OPEB expense of \$4,103,317, which includes the change in deferred outflows and deferred inflows of resources (\$881,766 for the year ended June 30, 2018). At June 30, the Authority reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ ---	\$ (487,468)	\$ 646,253	\$ ---
Changes in assumptions	---	(4,058,686)	---	---
Net difference between projected and actual earnings on OPEB plan investments	---	(1,778)	---	---
Total	<u>\$ ---</u>	<u>\$ (4,547,932)</u>	<u>\$ 646,253</u>	<u>\$ ---</u>
Net deferred outflows (inflows) of resources		<u>\$ (4,547,932)</u>	<u>\$ 646,253</u>	

NOTE 16 - (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$ (1,156,449)
2021	(1,156,449)
2022	(1,156,449)
2023	(1,008,779)
2024	<u>(69,806)</u>

Total deferred outflows (inflows) of resources	<u>\$ (4,547,932)</u>
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NOTE 17 - FIXED ROUTE INCOME CONSISTED OF THE FOLLOWING FOR THE YEARS ENDED JUNE 30:

	2019			2018
	Budget	Actual	Variance Favorable (Unfavorable)	Actual
Fare income	\$ 4,881,781	\$ 4,586,978	\$ (294,803)	\$ 4,417,285
Adult passes	1,315,800	1,222,199	(93,601)	1,036,176
Other passes	477,984	792,554	314,570	712,967
Tokens	---	111,330	111,330	102,152
Total	<u>\$ 6,675,565</u>	<u>\$ 6,713,061</u>	<u>\$ 37,496</u>	<u>\$ 6,268,580</u>

NOTE 18 - COMMITMENTS AND CONTINGENT LIABILITIES*Fiscal year 2020 budget*

For the fiscal year 2020, the Authority has an operating budget of \$51,380,495 which excludes depreciation expense. This budget includes grant-matching expenditures, which the Authority is required to meet as its share of Federal and State programs.

Federal and State funding

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. As of the date of the financial statements, the Authority is not aware of any expenditure that may be disallowed by a grantor.

Risk management

The Authority is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, natural disasters, and workers compensation claims for which the Authority carries commercial insurance.

NOTE 18 - (Continued)*Litigation and self-insurance*

In the normal course of operations, the Authority has been named in various claims and litigation. Based upon information available to counsel and the Authority, management believes that the ultimate outcome from these claims and litigations will not have a material adverse effect on the Authority's financial position

The Authority is self-insured for property damage and personal injury related to operations to a maximum amount of \$1,000,000 per incident. An excess liability, up to a maximum of \$5 million of losses per policy year, is covered by comprehensive insurance policies. It is the policy of the Authority to record a liability for reported claims as well as claims incurred and not yet reported based on a review of specific claims and incidents. Insurance claims have not exceeded insurance coverage in the past three years. At June 30, 2019, the Authority's insurance claims reserve is \$2,750,000 (\$2,500,000 at June 30, 2018) for the self-insured portion of the risks associated with property damage and personal injury. A summary of the activity in the claims liability account during the years ended June 30 are as follows:

	2019	2018
Insurance claims reserve, beginning	\$ 2,500,000	\$ 2,300,000
Increase in reserve for claims provisions	448,337	734,651
Claims paid	<u>(198,337)</u>	<u>(534,651)</u>
Insurance claims reserve, ending	<u>\$ 2,750,000</u>	<u>\$ 2,500,000</u>

NOTE 19 - IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 83, *Certain Asset Retirement Obligations*, for implementation in fiscal year 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement had no impact on the Authority's financial reporting.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, for implementation in fiscal year 2019. This Statement requires that all essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; terms specified in debt agreements related to significant events of default and significant subjective acceleration clauses. The Authority's debt consists of a revenue anticipation note and access to a revolving line of credit disclosed in Note 8, which includes all disclosures required by this Statement.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

PVTa Pension Plan (see also Note 11) Plan Year End June 30,					
	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 399,036	\$ 237,541	\$ 218,696	\$ 199,780	\$ 226,520
Interest	528,550	458,403	426,044	405,613	360,702
Changes of benefit terms	---	---	---	---	---
Differences between expected and actual experience	238,470	447,146	101,296	(70,204)	398,081
Changes of assumptions	---	---	---	---	---
Benefit payment, including refunds of employee contributions	(336,643)	(302,220)	(297,102)	(270,461)	(294,010)
Net change in total pension liability	829,413	840,870	448,934	264,728	691,293
Total pension liability, beginning	7,115,060	6,274,190	5,825,256	5,560,528	4,869,235
Total pension liability, ending (a)	\$ 7,944,473	\$ 7,115,060	\$ 6,274,190	\$ 5,825,256	\$ 5,560,528
Plan fiduciary net position					
Contributions - employer	\$ 174,456	\$ 355,018	\$ 377,718	\$ 157,377	\$ 141,588
Contributions - employee	56,625	60,494	55,906	48,887	45,886
Net investment income	310,301	364,336	259,833	144,609	469,701
Benefit payments, including refunds of employee contributions	(336,643)	(302,220)	(297,102)	(270,461)	(294,010)
Administrative expense	---	(40)	(14,305)	---	---
Net change in plan fiduciary net position	204,739	477,588	382,050	80,412	363,165
Plan fiduciary net position, beginning	4,564,185	4,086,597	3,704,547	3,624,135	3,260,970
Plan fiduciary net position, ending (b)	\$ 4,768,924	\$ 4,564,185	\$ 4,086,597	\$ 3,704,547	\$ 3,624,135
Net pension liability (a) - (b)	\$ 3,175,549	\$ 2,550,875	\$ 2,187,593	\$ 2,120,709	\$ 1,936,393
Plan fiduciary net position as a percentage of the total pension liability					
	60.03%	64.15%	65.13%	63.59%	65.18%
Covered employee payroll	\$ 1,528,975	\$ 1,529,167	\$ 1,223,784	\$ 1,223,784	\$ 1,169,373
Net pension liability as a percentage of covered employee payroll	207.69%	166.81%	178.76%	173.29%	165.59%

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

	SATCo SERP Plan (see also Note 13) Plan Year End June 30,				
	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 408,631	\$ 399,561	\$ 365,630	\$ 327,274	\$ 290,750
Interest	527,876	448,386	399,919	351,881	317,682
Changes of benefit terms	---	---	---	---	---
Differences between expected and actual experience	434,823	461,424	41,217	96,577	(63,258)
Changes of assumptions	---	---	---	---	---
Benefit payment, including refunds of employee contributions	(266,628)	(122,646)	(86,013)	(60,634)	(44,384)
Net change in total pension liability	1,104,702	1,186,725	720,753	715,098	500,790
Total pension liability, beginning	7,877,129	6,690,404	5,969,651	5,254,553	4,753,763
Total pension liability, ending (a)	\$ 8,981,831	\$ 7,877,129	\$ 6,690,404	\$ 5,969,651	\$ 5,254,553
Plan fiduciary net position					
Contributions - employer	\$ 625,074	\$ 635,316	\$ 1,295,000	\$ 129,644	\$ 470,000
Contributions - employee	524,926	533,279	505,000	490,356	---
Net investment income	439,395	407,457	233,325	44,799	211,580
Benefit payments, including refunds of employee contributions	(266,628)	(122,646)	(86,013)	(60,634)	(44,384)
Administrative expense	(50,575)	(41,841)	(27,871)	(18,764)	(13,093)
Net change in plan fiduciary net position	1,272,192	1,411,565	1,919,441	585,401	624,103
Plan fiduciary net position, beginning	6,171,828	4,760,263	2,840,822	2,255,421	1,631,318
Plan fiduciary net position, ending (b)	\$ 7,444,020	\$ 6,171,828	\$ 4,760,263	\$ 2,840,822	\$ 2,255,421
Net pension liability (a) - (b)	\$ 1,537,811	\$ 1,705,301	\$ 1,930,141	\$ 3,128,829	\$ 2,999,132
Plan fiduciary net position as a percentage of the total pension liability	82.88%	78.35%	71.15%	47.59%	42.92%
Covered employee payroll	\$ 15,301,015	\$ 14,477,280	\$ 14,742,434	\$ 14,042,201	\$ 12,774,455
Net pension liability as a percentage of covered employee payroll	10.05%	11.78%	13.09%	22.28%	23.48%

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

SCHEDULE OF PENSION CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

	PVTA Pension Plan (see also Note 11) Plan Year End June 30,				
	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 722,782	\$ 497,602	\$ 441,721	\$ 415,986	\$ 423,935
Contributions in relation to the actuarially determine contribution	<u>231,081</u>	<u>415,512</u>	<u>433,624</u>	<u>206,264</u>	<u>187,474</u>
Contribution deficiency (excess)	<u>\$ 491,701</u>	<u>\$ 82,090</u>	<u>\$ 8,097</u>	<u>\$ 209,722</u>	<u>\$ 236,461</u>
Covered employee payroll	\$ 1,528,975	\$ 1,529,167	\$ 1,223,784	\$ 1,223,784	\$ 1,169,373
Contribution as a percentage of covered employee payroll	15.11%	27.17%	35.43%	16.85%	16.03%

Notes to Schedules for PVTA Pension Plan

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
Amortization method:	15 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	15 years. Fresh start method with amortization remaining unfunded amortized each year.
Asset valuation method	Market value of assets as of the measurement date
Inflation:	3% as of June 30, 2018 and for future periods
Salary increases:	4% annually as of June 30, 2018 and for future periods
Investment rate of return:	6.88%, net of pension plan investment expense, including inflation for small plans
Last 10 years: Only plan years 2014 to 2018 available	

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

SCHEDULE OF PENSION CONTRIBUTIONS

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

SATCo SERP Plan (see also Note 13) Plan Year End June 30,					
	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 560,224	\$ 567,665	\$ 555,898	\$ 635,705	\$ 586,396
Contributions in relation to the actuarially determined contribution	<u>625,074</u>	<u>635,316</u>	<u>1,295,000</u>	<u>129,644</u>	<u>470,000</u>
Contribution deficiency (excess)	<u><u>\$ (64,850)</u></u>	<u><u>\$ (67,651)</u></u>	<u><u>\$ (739,102)</u></u>	<u><u>\$ 506,061</u></u>	<u><u>\$ 116,396</u></u>
Covered employee payroll	\$ 15,301,015	\$ 14,477,280	\$ 14,742,434	\$ 14,042,201	\$ 12,774,455
Contribution as a percentage of covered employee payroll	4.09%	4.39%	8.78%	0.92%	3.68%

Notes to Schedules for SATCO SERP Pension Plan

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, 2018.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal
amortization method:	15 year level dollar of the existing net pension liability as of the valuation date
Remaining amortization period	15 years. Fresh start method with amortization remaining unfunded amortized each year.
Asset valuation method	Market value of assets as of the measurement date
Inflation:	2.5% as of June 30, 2018 and for future periods
Salary increases:	N/A
Investment rate of return:	6.27%, net of pension plan investment expense, including inflation for small plans
Last 10 years:	Only plan years 2014 to 2018 available

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

**SCHEDULE OF CHANGES IN NET OPEB
LIABILITIES AND RELATED RATIOS**
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

		PVTA OPEB Plan (see also Note 15) Plan Year End June 30,	
		2019	2018
Total OPEB liability			
Service cost	\$	196,680	\$ 310,684
Interest		151,826	171,289
Changes of benefit terms		414,737	---
Changes of assumptions		(129,709)	---
Differences between actual and expected experience		(79,798)	---
Benefit payments including implicit cost		(141,814)	(93,312)
Net change in total OPEB liability		411,922	388,661
Total OPEB liability, beginning		5,394,706	5,006,045
Total OPEB liability, ending (a)	\$	5,806,628	\$ 5,394,706
Plan fiduciary net position			
Interest	\$	---	\$ ---
Net investment income		---	---
Employer contributions - premiums		141,814	93,312
Benefit payments - premiums		(141,814)	(93,312)
Administrative expense		---	---
Net change in plan fiduciary net position		---	---
Plan fiduciary net position, beginning		---	---
Plan fiduciary net position, ending (b)	\$	---	\$ ---
Net OPEB liability (a) - (b)	\$	5,806,628	\$ 5,394,706
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%	0.00%
Covered employee payroll	\$	1,505,144	\$ 1,442,016
Net OPEB liability as a percentage of covered employee payroll		385.79%	374.11%

Notes to Schedule:

Changes of assumptions:

Effective June 30, 2019, discount rate changed from 3.25% to 2.75%.

Expected long-term medical trend rate has been updated from 5.00% from 4.50%.

Last 10 years: Only plan years 2018 and 2019 available

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

**SCHEDULE OF CHANGES IN NET OPEB
LIABILITIES AND RELATED RATIOS**

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

			SATCo OPEB Plan (see also Note 16) Plan Year End June 30,	
			2019	2018
Total OPEB liability				
Service cost	\$	1,292,292	\$	1,533,958
Interest		1,484,613		1,173,374
Changes of benefit terms		2,130,904		---
Changes of assumptions		(5,055,906)		---
Differences between actual and expected experience		---		(805,038)
Benefit payments including implicit cost		(726,472)		(574,275)
Net change in total OPEB liability		(874,569)		1,328,019
Total OPEB liability, beginning		36,182,703		34,854,684
Total OPEB liability, ending (a)	\$	35,308,134	\$	36,182,703
Plan fiduciary net position				
Interest	\$	---	\$	---
Net investment income		16,299		---
Employer contributions to trust		500,000		---
Employer contributions - premiums		726,472		574,275
Benefit payments - premiums		(726,472)		(574,275)
Administrative expense		---		---
Net change in plan fiduciary net position		516,299		---
Plan fiduciary net position, beginning		---		---
Plan fiduciary net position, ending (b)	\$	516,299	\$	---
Net OPEB liability (a) - (b)	\$	34,791,835	\$	36,182,703
Plan fiduciary net position as a percentage of the total OPEB liability		1.46%		0.00%
Covered employee payroll	\$	15,640,248	\$	14,477,280
Net OPEB liability as a percentage of covered employee payroll		222.45%		249.93%

Notes to Schedule:

Changes of assumptions:

Effective June 30, 2019, discount rate changed from 3.25% to 4.00%.

Expected long-term medical trend rate has been updated from 5.00% from 4.50%.

Last 10 years: Only plan years 2018 and 2019 available

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

SCHEDULE OF OPEB CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

	PVTA OPEB Plan (see also Note 15) Plan Year End June 30,	
	2019	2018
Actuarially determined contribution	\$ 475,762	\$ 585,941
Contributions in relation to the actuarially determined contribution	141,814	93,312
Contribution deficiency (excess)	\$ 333,948	\$ 492,629
Covered employee payroll	\$ 1,505,144	\$ 1,442,016
Contribution as a percentage of covered employee payroll	9.42%	6.47%

Notes to Schedule

PVTA OPEB Valuation date:

Actuarially determined contribution rates were calculated as of July 1, 2018 with a measurement date of June 30, 2019.

Methods and assumptions used to determine contribution rates for PVTA:

Actuarial cost method:	Individual entry age normal
Municipal bond rate:	2.79% as of June 30, 2019 (Source: S&P Municipal Bond 20-Year High Grade Index)
Discount rate:	2.75%
Inflation:	2.75% as of June 30, 2019 and for future periods
Salary increases:	3.00% annually and for future periods
Pre- and post-retirement mortality:	Mortality rates were based upon the RP-2000 Employees and Healthy Annuitant Mortality Tables for males and females projected generationally with scale BB
Disabled mortality:	Mortality rate was based upon the RP-2000 Healthy Annuitant Table projected with scale BB
<i>Changes in assumptions:</i>	Effective June 30, 2019, discount rate changed from 3.25% to 2.75%
	Effective June 30, 2019, long-term medical trend rate changed from 5.00% to 4.50%

Last 10 years: Only plan years 2018 and 2019 available

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)

SCHEDULE OF OPEB CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

	SATCo OPEB Plan (see also Note 16) Plan Year End June 30,	
	2019	2018
Actuarially determined contribution	\$ 3,226,922	\$ 3,343,115
Contributions in relation to the actuarially determined contribution	1,226,472	574,275
Contribution deficiency (excess)	\$ 2,000,450	\$ 2,768,840
Covered employee payroll	\$ 15,640,248	\$ 14,477,280
Contribution as a percentage of covered employee payroll	7.84%	3.97%

Notes to Schedule

SATCo OPEB Valuation date:

Actuarially determined contribution rates were calculated as of July 1, 2017 with a measurement date of June 30, 2019.

Methods and assumptions used to determine contribution rates for SATCo:

Actuarial cost method:	Individual entry age normal
Municipal bond rate:	2.79% as of June 30, 2019 (Source: S&P Municipal Bond 20-Year High Grade Index)
Discount rate:	4.00%
Inflation:	2.75% as of June 30, 2019 and for future periods
Salary increases:	3.00% annually and for future periods
Pre- and post-retirement mortality:	Mortality rates were based upon the RP-2000 Employees and Healthy Annuitant Mortality Tables for males and females projected generationally with scale BB
Disabled mortality:	Mortality rate was based upon the RP-2000 Healthy Annuitant Table projected with scale BB
<i>Changes in assumptions:</i>	Effective June 30, 2019, discount rate changed from 3.25% to 4.00%

Last 10 years: Only plan years 2018 and 2019 available

See independent auditors' report.

PIONEER VALLEY TRANSIT AUTHORITY
(A Component Unit of the Massachusetts Department of Transportation)
STATEMENT OF NET COST OF SERVICE
SUPPLEMENTARY INFORMATION
For the Year Ended June 30,

	Total Service Area 2019	Total Service Area 2018
Operating costs		
Administrative costs	\$ 5,184,315	\$ 4,291,109
Purchased services		
Fixed route	39,746,026	34,195,783
Paratransit	8,963,922	8,646,729
Shuttle	188,913	243,495
Debt service	276,769	141,000
Eliminate GASB adjustment for other post employment benefits	(4,382,844)	(1,070,427)
Eliminate GASB adjustment for pension expense	(603,657)	314,047
Total operating costs	<u>49,373,444</u>	<u>46,761,736</u>
Operating assistance and revenues		
Federal operating and administrative assistance	6,283,734	6,858,006
Other operating assistance	803,396	591,690
Revenues		
Local revenues		
Fixed route	6,713,061	6,268,580
Paratransit	794,068	716,660
Shuttle	19,539	26,281
Advertising	256,570	268,066
Other income	156,493	98,279
Interest	164,759	109,199
Total operating assistance and revenues	<u>15,191,620</u>	<u>14,936,761</u>
Net operating deficit	34,181,824	31,824,975
Increase in reserve for extraordinary expense	---	---
Net cost of service	<u>\$ 34,181,824</u>	<u>\$ 31,824,975</u>
Local assessments	\$ 8,947,886	\$ 8,729,645
State contract assistance	<u>25,233,938</u>	<u>23,095,330</u>
Total	<u>\$ 34,181,824</u>	<u>\$ 31,824,975</u>

The following nonreimbursable items are not included in the eligible expenses above:

- Depreciation taken on property and equipment purchased with capital grant funding
- GASB adjustment for the change in the Authority's other post employment benefits
- GASB adjustment for the change in the Authority's net pension liabilities

See independent auditors' report.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Advisory Board of the
PIONEER VALLEY TRANSIT AUTHORITY
 2808 Main Street
 Springfield, MA 01107

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Pioneer Valley Transit Authority, a component unit of the Massachusetts Department of Transportation, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Pioneer Valley Transit Authority's basic financial statements, and have issued our report thereon dated September 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pioneer Valley Transit Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pioneer Valley Transit Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pioneer Valley Transit Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pioneer Valley Transit Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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September 10, 2019